Guide To Taxes Administered By The Montana Department Of Revenue

Montana Department of
REVENUE

January, 1997

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MISSION STATEMENT AND GENERAL STRUCTURE OF THE DEPARTMENT OF REVENUE

The Department Of Revenue's mission is to ensure full and fair compliance with all state tax laws; to assist taxpayers in fulfilling their obligations to the state; to maximize the raising and uses of taxpayer funds by maintaining an efficient and timely mechanism for the collection and deposit of revenues; and to implement all department responsibilities with professionalism, integrity, and efficiency.

The **Director's Office** (444-2460) advises the Governor on all matters affecting the agency, recommends changes to Montana tax laws and policies, provides policy direction to all Department Divisions, and develops and presents the Department's biennial budget.

The **Office of Research and Information** (444-2460) compiles information, analyzes data using statistical methods, conducts detailed analyses of major tax reform and other proposals, provides responses to taxpayer questions, publishes major Department reports, and prepares fiscal notes for tax legislation proposals.

The **Office of Legal Affairs** (444-2460) is responsible for providing legal services to the Director's Office, all divisions of the Department of Revenue, and other areas where the Department of Revenue has an interest.

The **Office of Personnel and Training** (444-2972) is responsible for administration of the classification and pay plans, development and interpretation of personnel policies and procedures, recruitment and selection activities, training and staff development, labor negotiations and collective bargaining, grievance and appeal resolution, employee assistance, Equal Employment Opportunity (EEO), and Affirmative Action for the Department.

Operating Divisions

The Department of Revenue consists of four operating divisions which have administrative responsibility for tax laws.

The **Income and Miscellaneous Tax Division** (444-2837) administers state income and withholding tax law and over a dozen other miscellaneous taxes. The division has active audit, compliance and collections programs and is responsible for operating the tax withholding system.

The **Liquor Division** (444-0700) administers the laws governing the sale, taxation and licensing of distilled spirits, wine and beer. It also supervises the operation of the State Liquor Stores and Agencies.

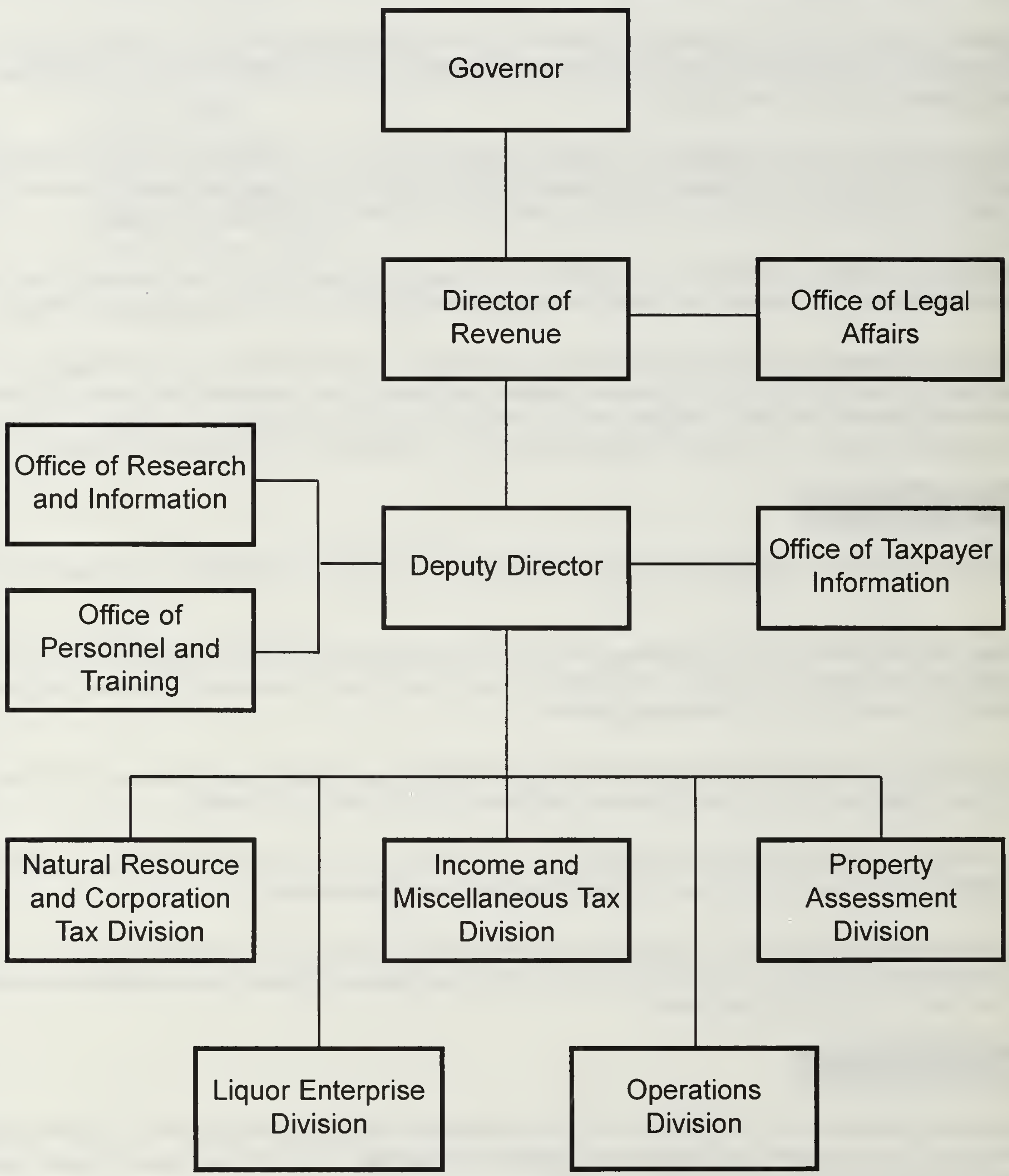
The **Natural Resource and Corporation Tax Division** (444-2441) administers all natural resource taxes as well as the Federal Royalty Audit Program and all corporate income and license taxes.

The **Property Assessment Division** (444-2500) is responsible for performing all tasks necessary to secure a fair, uniform, and equitable valuation of all taxable property within and among counties, between different classes of property, and between individual taxpayers.

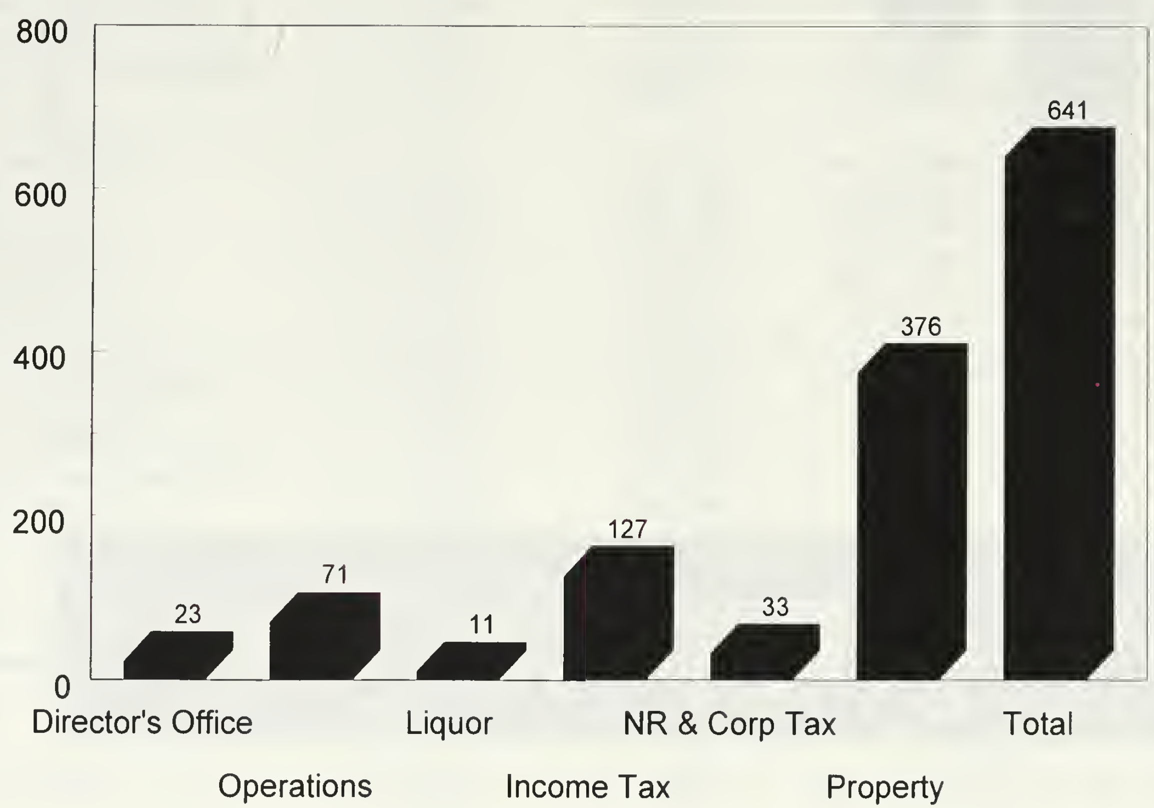
Support Division

The **Operations Division** (444-3149) provides automated data and word processing services, detailed systems requirements analysis, systems development and maintenance services, data entry services, computer operations support services, technical support for Departmental and personal computers, accounting support, payroll services, and purchasing functions for the Department.

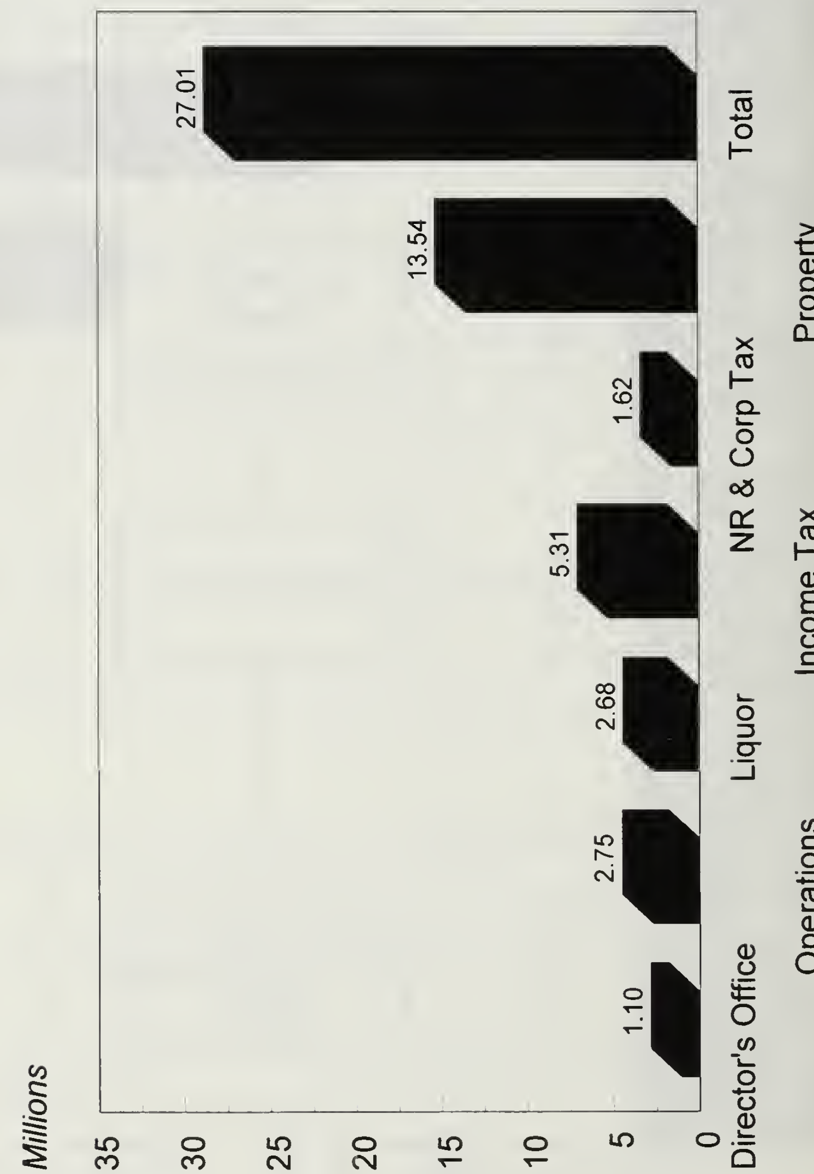
Department of Revenue Organizational Chart



Department of Revenue Staffing
Fiscal Year 1996



Department of Revenue Expenditures
Fiscal Year 1996

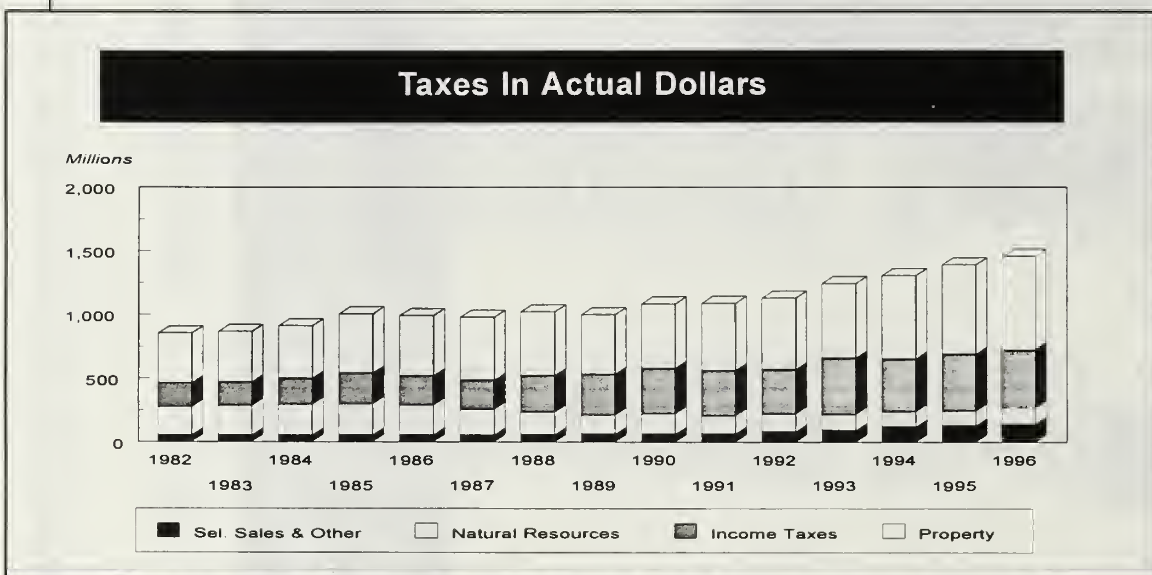


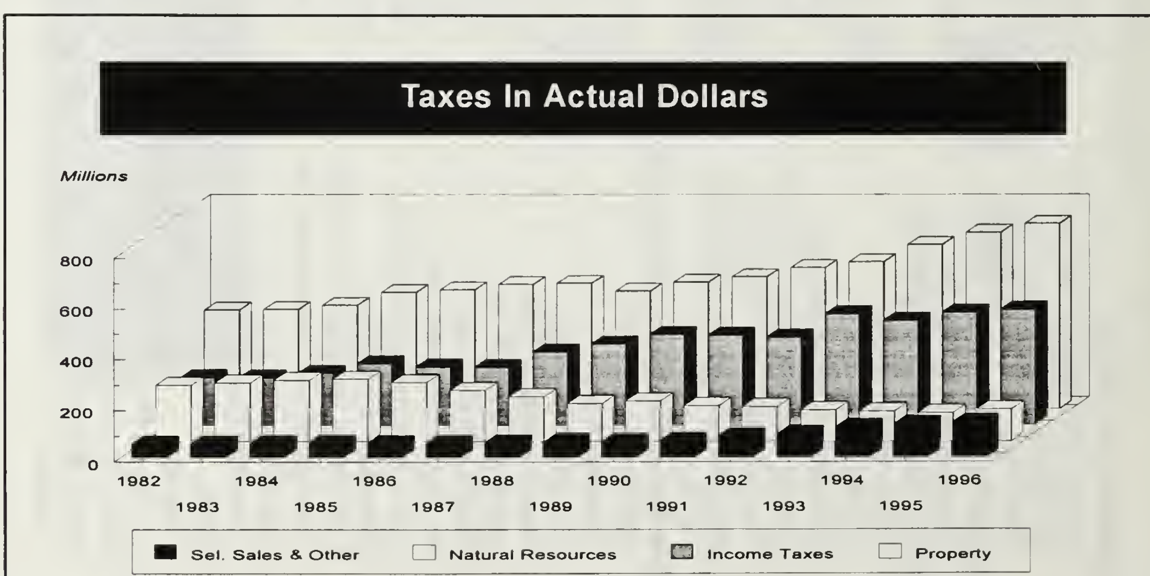
DEPARTMENT OF REVENUE STATE COLLECTIONS -- FISCAL YEARS 1992 - 1996

	1992	1993	1994	1995	1996
Individual Income Tax					
Income Tax Withheld	266,894,688	247,858,044	265,035,584	270,270,935	278,399,600
Income Tax All Other	54,643,406	109,128,890	80,607,819	101,822,685	104,692,012
Subtotal	321,538,094	356,986,934	345,643,403	372,093,620	383,091,612
Corporation Tax					
Corporation License Tax	57,682,673	85,054,482	68,871,909	75,519,940	75,761,891
Natural Resource Taxes (State)					
Coal Severance Tax	54,114,111	35,481,334	41,187,973	40,416,167	36,260,949
Oil Severance Tax	20,427,115	17,037,621	11,125,518	11,682,795	11,417,361
Natural Gas Severance Tax	1,395,778	1,638,965	1,163,071	937,206	1,412,006
Oil and Gas Producer's P&L Tax	994,384	889,909	578,997	630,851	825,583
Resource Indemnity Trust Tax	4,194,434	3,786,619	2,902,242	2,860,826	3,351,177
Metalliferous Mines License Tax	6,595,467	6,521,076	6,229,683	5,259,335	6,941,131
Subtotal	87,721,289	68,055,488	63,200,216	61,787,180	$60,208,207
Other Taxes, Licenses and Services					
Old Fund Liability Tax	14,067,435	15,436,795	41,771,588	47,117,118	45,254,475
Cigarette Tax	12,172,863	12,698,194	12,495,504	13,114,640	12,969,137
Inheritance Tax (Net)	11,338,204	12,869,460	10,885,745	15,382,449	15,404,110
Accommodations Tax	8,762,356	8,029,960	8,348,996	8,684,736	9,197,924
Telephone License Tax	4,983,796	3,865,712	6,835,201	4,800,861	5,711,933
Electrical Energy Tax	4,937,510	4,232,200	3,728,365	3,885,910	3,520,407
Nursing Facility Bed Tax	1,587,432	3,131,331	4,739,833	6,364,377	6,579,620
Public Service Regulation Tax	1,934,214	3,000,673	2,455,541	2,498,410	1,915,092
Tobacco Products Tax	1,224,587	1,308,951	1,328,908	1,446,101	1,579,547
Emergency Telephone 911 System	1,383,505	1,254,285	1,249,373	1,400,989	2,100,359
Contractor's Gross Receipts Tax	1,270,364	1,530,528	964,193	1,192,445	1,621,441
Abandoned Property	974,013	1,286,062	1,094,511	1,518,264	1,272,859
Consumer Counsel Tax	842,961	677,495	353,252	819,133	815,801
Other	207,212	252,951	140,188	168,609	217,697
Subtotal	65,686,452	69,574,597	96,391,198	108,394,042	108,160,402
Liquor Taxes, Profits and Licenses					
Liquor Profits and Licenses	9,442,258	9,620,369	9,115,412	9,314,926	7,665,267
Liquor, Beer, and Wine Taxes	11,032,923	11,447,341	10,925,118	10,903,218	$12,094,518
Subtotal	20,475,181	21,067,710	20,040,530	20,218,144	19,759,785
TOTAL COLLECTIONS	$553,103,689	$600,739,211	$594,147,256	$638,012,926	$646,981,897

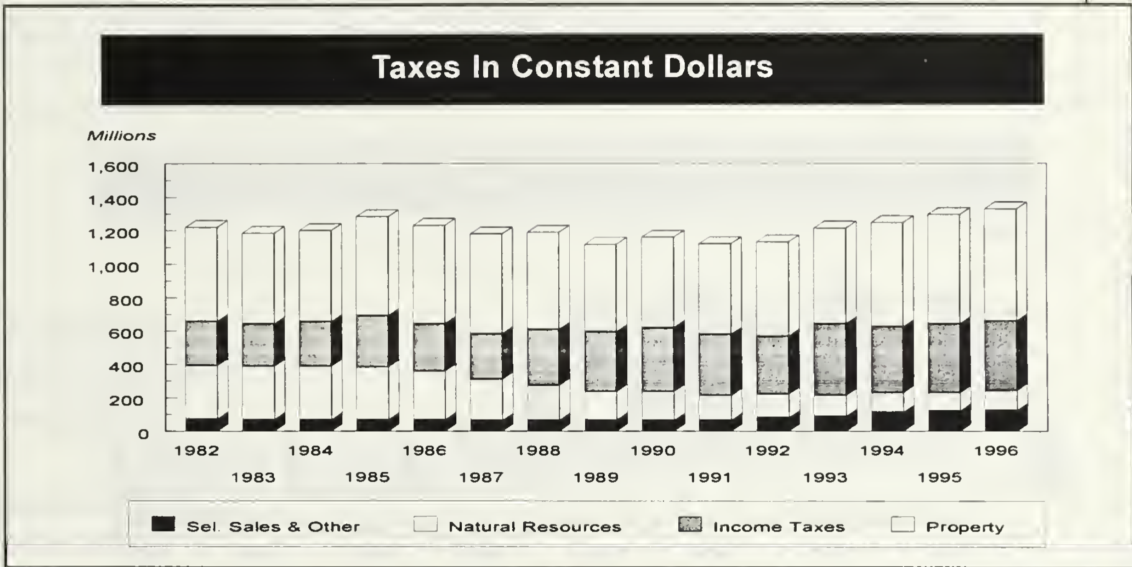
The six charts included on this page and the following two pages provide a pictorial overview of Montana's general tax structure, and show how that structure has changed over time. For most states, the tax structure is typically characterized as a "three-legged stool" consisting of income, property, and sales taxes. In Montana, the sales tax leg of this typical tax structure is comprised of natural resource taxes (e.g., coal, oil, and natural gas severance taxes) and selective sales taxes (e.g., cigarette and alcoholic beverage taxes). Income taxes include taxes levied on corporations as well as individuals; property taxes include state and local property tax levies.

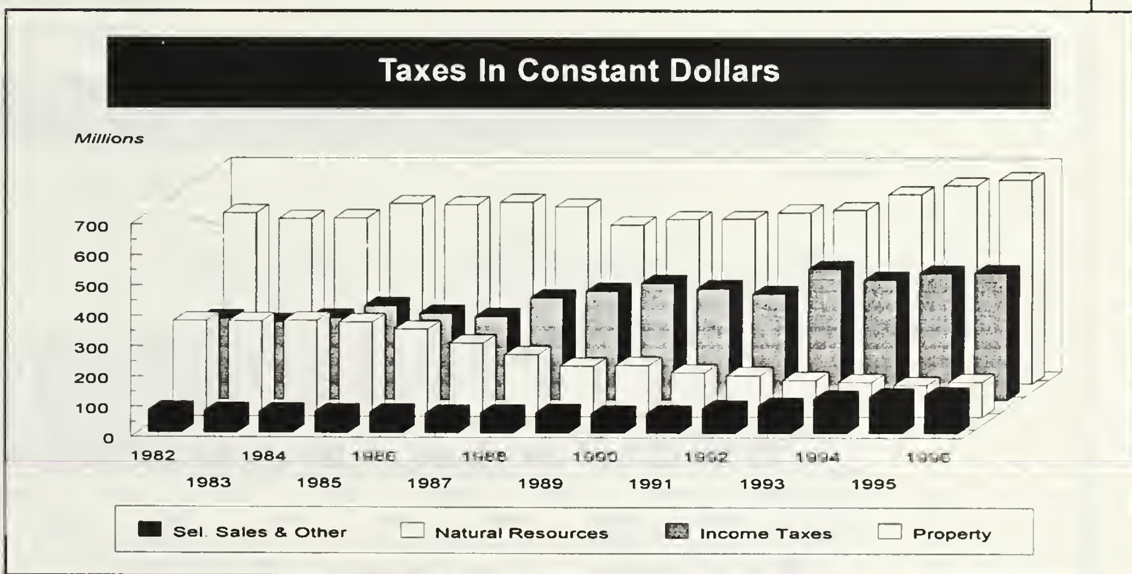
The first two charts show the change in taxes over time in *nominal* dollars. These are dollars unadjusted for any effects due to inflation. The first of these two charts shows the growth in total taxes; the second chart shows how each component of this total has changed over time.



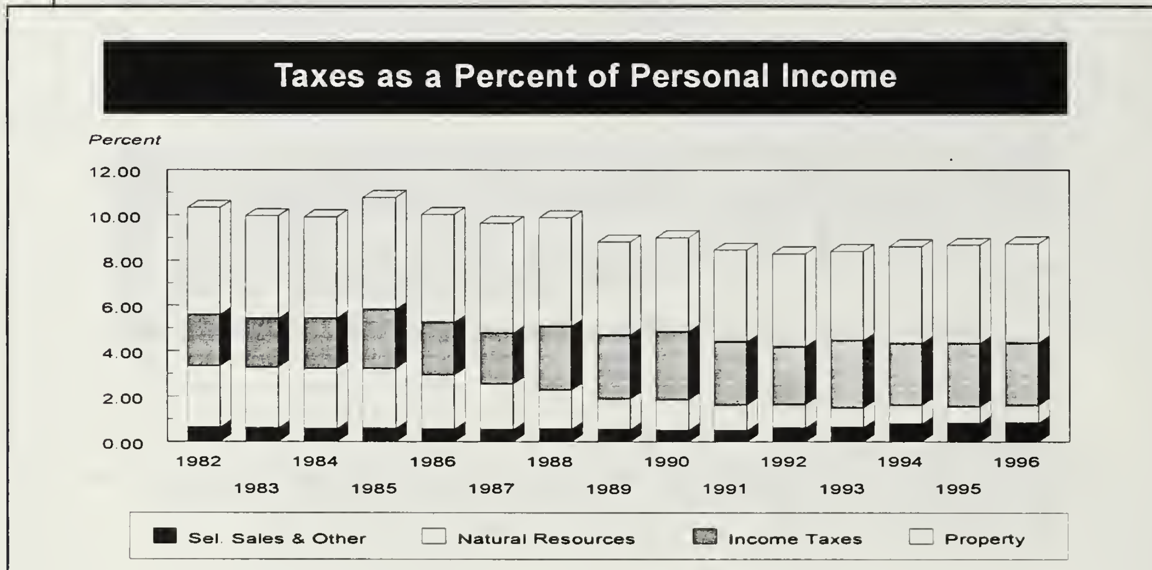


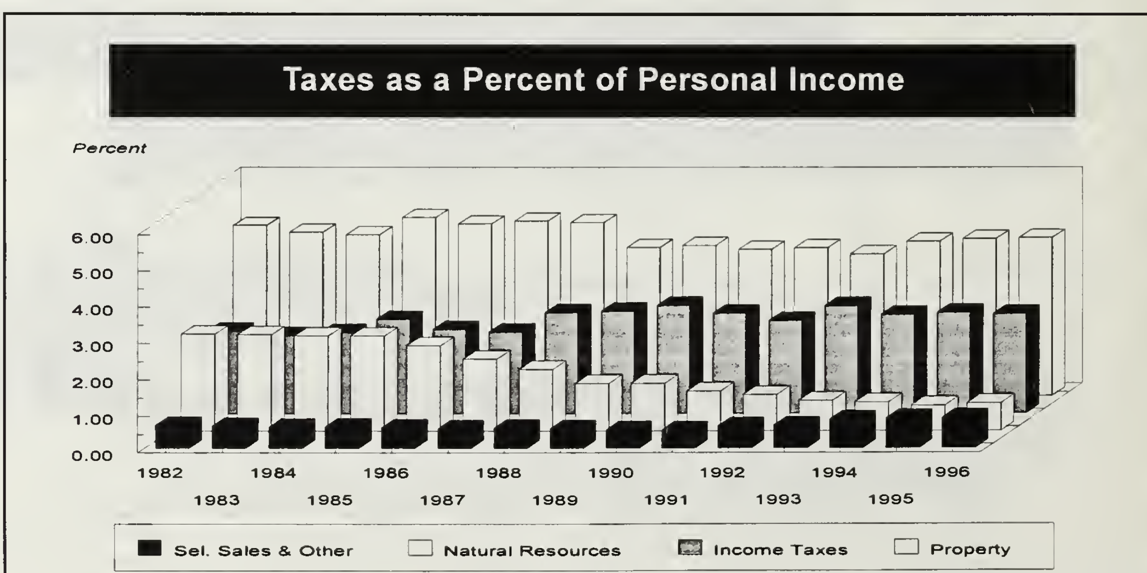
The next two charts show the change in taxes over time in constant 1992 dollars. These dollars, often referred to as "real" dollars, have been adjusted to remove the effects of inflation. Again, two charts are provided; the first to show the change in total real taxes, the second to show the change in each component of the tax structure.





The third set of charts shows actual taxes as a percent of Montana total personal income (TPI). These charts can be viewed as a general reflection of the share of total economic activity consumed by taxes in each year. Since 1982, total taxes as a percent of personal income have been as high as 10.78% in 1985, and as low as 8.29% in 1992.





Individual Income and Miscellaneous Tax Division

Jeff Miller
Administrator
444-2842

Examination Bureau
Bob Turner
Bureau Chief
444-3361

Administrative Services Bureau
Neil Peterson
Bureau Chief
444-1941

Business Tax Bureau
Char Maharg
Bureau Chief
444-3375

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OVERVIEW OF TAX

Montana's Individual Income Tax was enacted in 1933 and continues to this day to be the largest source of state tax revenue. The state's income tax is viewed as a "progressive" tax system because of the distribution of tax burden and because income is taxed according to a graduated rate structure with rates ranging from 2% to 11% of taxable income.

Probably the most significant feature of Montana's income tax is the substantial reliance on the federal tax code. Often described as a "tie to federal", this alignment allows the state to establish the essential elements of this tax system by direct reference to federal definitions of income and deductions and federal reporting procedures and protocol. This reliance is common among the 43 other states imposing individual income taxes. Most importantly, this approach allows both the State and its taxpayers to realize significant operating efficiencies. Without this parallel structure, Montanans would face increased complexity and substantially higher compliance costs.

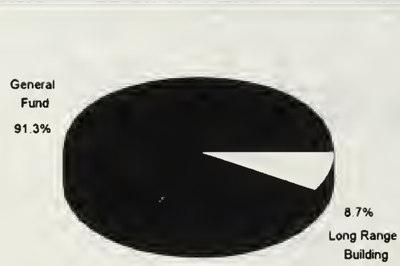
The income tax statutes do, however, reflect Montana-specific tax policy as determined by previous legislative assemblies. These policy directives are found in the areas of additions and reductions to Montana adjusted gross income, unique itemized deductions, and tax credits. Detail relating to these unique features is presented in the following pages.

Income tax revenues are primarily collected through employer withholding, periodic payment of estimated tax payments, and payments made when the return is filed. Income tax revenues are distributed 91.3% to the general fund and 8.7% to the long-range building fund.

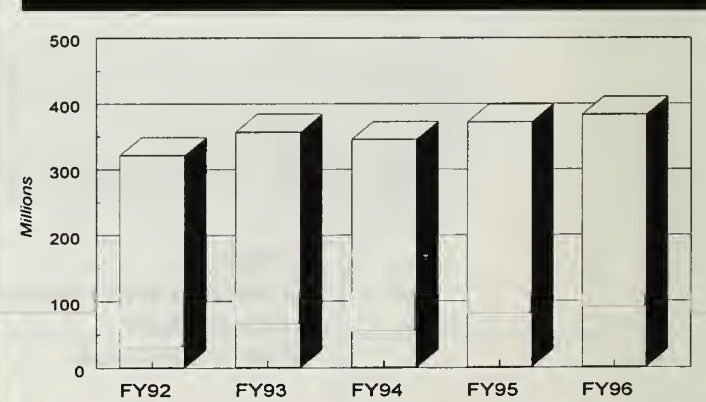
Income Tax Collections

FY 92	FY 93	FY 94	FY 95	FY 96
$321,538,094	$356,986,934	$345,643,403	$372,093,620	$ 383,091,612

Distribution of Income Tax



Individual Income Tax Collections



CALCULATION OF TAX

TOTAL INCOME

Total income includes salaries and wages, interest and dividends, state refunds, alimony, net business income, capital gain income, pension income, rents and royalties, net farm income, unemployment compensation, social security benefits and any other miscellaeous income.

Less Adjustments To Income:

IRA/Keogh Deductions
Self-Employment Taxes
Self-Employment Insurance Deductions
Alimony Paid
Moving Expenses

EQUALS FEDERAL ADJUSTED GROSS INCOME

Plus *Additions* To Arrive at Montana Adjusted Gross Income:

Non-Montana Bond Interest Income
Federal Tax Refunds
Other Additions

Less *Subtractions* to Arrive at Montana Adjusted Gross Income

40% Capital Gain Exclusion
Elderly Interest Exclusion
U.S. Savings Bond Interest Exclusion
State Refund
Exempt Retirement Income
Unemployment Benefits
Tip Income
Other Reductions

EQUALS MONTANA ADJUSTED GROSS INCOME

Less Itemized Deductions or Standard Deduction
Less Personal Exemptions

EQUALS MONTANA TAXABLE INCOME

TIMES: TAX TABLE

EQUALS: TAX BEFORE CREDITS

LESS: CREDITS
Out-of -State credit, Elderly Homeowner credit, Rural Physician credit, Contractor's Gross Receipts credit, Nonfossil Energy Systems credit, Recycling credit, Energy Conservation credit, Capital Company credit, College contribution credit, Dependent Care credit & Investment credit

EQUALS: TAX AFTER CREDITS

RECENT LEGISLATIVE CHANGES

Extension Requirements
Individuals requesting an extension of time to file are required to have paid the lesser of 100% of their previous year's tax liability or 90% of the current year's tax liability.

Enactment/Suspension/Repeal of House Bill 671
Enacted by the 1993 Legislature, the new tax, which revamped Montana's tax law, was implemented June 8th, 1993, suspended in September of 1993, and by public vote repealed in November of 1994. The result was to revert back to the old law.

Old Fund Liability Tax
The law created the Old Fund Liability Tax (OFLT) to pay the unfunded liability of the old portion (pre-July 1, 1990) of the State Workers' Compensation Fund. The OFLT is assessed primarily on earned income. The OFLT includes three components: the employer portion, the employee portion, and the self-employed portion.

Elderly Homeowner/Renter Credit
This law allows a credit for a portion of a person's property taxes or rent paid which can be used against thier state income tax liability or as a direct refund even if they are not required to file a Montana tax return. To be eligible the person must be at least 62 years old, reside in Montana for 9 months or more during the year, and occupy a Montana residence for more than 6 months of the year. Starting in 1995, the maximum credit was increased from $400 to $1,000.

Minimum Standard Deduction
Prior to 1996, Montana had a standard deduciton with maximum dollar amounts but no minimum dollar amounts. Starting January 1, 1996, the 1995 Legislature enacted a minimum standard deduction. Under the new law, the standard deduction will be 20% of Montana adjusted gross income with a maximum and a minimum for each filing status adjusted yearly for inflation.

Health Insurance Premium Deduction
Starting January 1, 1995, the 1995 Legislature enacted a law allowing a person to deduct 50% of their health insurance premiums. Prior to this a person could deduct only those premiums that exceed 7.5% of the person's Montana adjusted gross income.

Medical Care Savings Account
The 1995 Legislature enacted a law encouraging the establishment of medical care savings accounts by individuals. Starting January 1, 1996, a person can deduct contributions up to $3,000 to a medical care savings account in arriving at their 1996 Montana adjusted gross income. The account has to be established with an eligible third party called an "account administrator". Those third parties include banks, health insurance companies, employers who are self-insured and CPA's. Withdrawals can be made tax free for unreimbursed medical expenses. Otherwise there is a 10% penalty for withdrawals of money for non-medical items. In addition, all interest earned on the account can be excluded.

Significant Changes To Employer Withholding
Effective January 1, 1996, the 1995 Legislature enacted significant changes in employer withholding requirements. Employers with less than $1,200 in annual withholding will file a report and remit taxes withheld once each year. Employers with greather than $1,200 but <less than $12,000 in annual withholding will make monthly remittances and file one annual report. Employers with greather than $12,000 in annual withholding will file on an accelerated schedule.

HB 293 also decreased the time the Department is allowed to process refund requests without paying interest from six months to 45 days.

INCOME TAX REFORM PROPOSALS AS IDENTIFIED IN PREVIOUS SESSIONS

In no particular order:

LIMITING DEDUCTIBILITY OF FEDERAL INCOME TAXES - Under current law a person who itemizes deductions in arriving at taxable income (as opposed to taking the standard deduction), is allowed to deduct all federal income taxes paid during the tax year. Montana is 1 of 8 states to allow this deduction. This accounts for 58% of total itemized deductions. Previous suggestions included eliminating the deduction or placing a "cap" or upper limit on the allowable amount.

TIE TO FEDERAL - Under current law we are substantially tied to federal tax codes. Previous discussions of tying to federal law explored 2 options: either tying Montana's tax calculations to a percentage of federal taxable income, or a percentage of federal tax liability.

FEDERAL TAXABLE INCOME - Past proposals which tied Montana to federal taxable income meant accepting the federal itemized deductions and federal exemptions. However, the taxable income would have to be reduced at least by income which cannot be taxed by Montana, such as U.S. savings bond interest, Indian income, railroad retirement, etc. Montana tax liability was then calculated using the same or revised income tax rates.

FEDERAL TAX LIABILITY - Proposals which tied Montana tax liability to a percentage of federal tax liability involve a two step process. First, federal taxable income is reduced by income which cannot be taxed by Montana because of federal law and the tax is recalculated using the federal rates. Second, the revised federal tax is then multiplied by the desired Montana percentage to arrive at a person's Montana tax liability. One very important consideration is the federal starting point where the percentage calculation is made. Other states which tie to the federal tax have different starting points; some after the federal tax liability but before the federal credits and some after the federal credits including the earned income credit.

FLAT TAX - Flat tax proposals provide for a single tax rate, in contrast to our current graduated rate schedule (tax rates from 2% to 11%). A flat tax can take the form of a tie to federal, as discussed above, or applying a single rate against a federal base adjusted by revised personal exemptions and standard deductions.

SURTAX / SURCHARGE - A surtax is an additional amount of tax due calculated by applying the surtax percentage times the normally calculated tax.

JOINT RATES - Under current law, Montana is one of 10 states in which it is advantageous for married couples who both have income to file separate returns on the same form. The ability for a married person to file a separate return creates a tax advantage because the taxable income of each spouse is generally taxed at a lower rate than if both spouses' incomes were added and taxed. This occurs because Montana's tax rates are graduated and do not distinguish by filing status. As contrasted to federal tax statutes, the tax rates encourage married couples to file separately.

Year and Amount of Recent Income Tax Surtaxes

Year	Rate
1987	10%
1988	10%
1989	no surtax
1990	5%
1991	no surtax
1992	2.3%
1993	4.7%

ELECTRONIC TAX REPORTING FOR EMPLOYERS AND INDIVIDUALS

In this era of "reduce costs/improve service," the Montana Department of Revenue is looking to electronic commerce to fill the gaps. One of the most visible measures available is electronic transmission of information and payments. Before we can talk about electronic commerce, we need to understand what it is and how it works. A few terms are helpful...

Electronic Commerce (EC)
The realm of technology available to communicate electronically in the business setting.

Electronic Data Interchange (EDI)
The electronic transmission of information from one computer to or through multiple computers to another computer.

Electronic Funds Transfer (EFT)
An electronic remittance, including the transmission of information to ensure the debit/credit of appropriate accounts, which results in payment of a bill, tax, etc..

Electronic Tax Reporting for Employers (ETR)
The combination of EDI and EFT specific to the filing of employer tax returns.

Electronic Filing for Individuals (ELF)
Electronic data interchange specific to the filing of individual income tax returns.

Automated Clearing House (ACH)
Many electronic fund transfer transactions are processed and transmitted via an automated clearing house which provides enabling services such as paperwork processing, error tracking, etc. The National Association of Clearing House Administrators (NACHA) has developed transmission standards for users.

The Department is currently involved in a number of projects using electronic commerce:

Electronic Tax Reporting for Employers (ETR)
Electronic Tax Reporting consists of both the electronic filing of a return (EDI) and the electronic payment of the tax (EFT). ETR is accomplished through either an ACH credit or ACH debit. An ACH credit occurs when the taxpayer contacts his/her own bank to initiate a funds transfer. Included with the money is an information record which acts as the remittance advice. Under the ACH debit option, the taxpayer sends the electronic file directly to the Department. The file consists of the remittance information and authorizes the department to withdraw a specific amount of money from the taxpayer's bank account. These banking transactions are easily automated, requiring very little human intervention.

Electronic Filing For Individuals (ELF)
The Montana Department of Revenue can accept electronically filed income tax returns from resident, part-year, and nonresident taxpayers in a joint project with the Internal Revenue Service. Taxpayers who file electronically

with the IRS can have the information sent to the Department as well. The information is received by the Department electronically, reformatted, and input directly into the income tax system. Direct deposit is available to those taxpayers due a refund.

Telefile for Individual Income Tax Returns
Individual income tax returns can be filed over the telephone. Taxpayers must be invited to participate in this program. Return information is entered using the telephone keypad. The Department can receive these filings 24 hours a day, seven days a week. The telefile computer does all the calculations and provides the taxpayer with a confirmation number. As with ELF, direct deposit is also available.

Benefits of Electronic Commerce
The benefits to the department are tremendous. These programs lessen the strain on current operations. Labor intensive, error prone manual processes can be reduced. Electronic filing eliminates the need for opening envelopes and extracting information, manual sorting, data entry, error correction, and document storage and retrieval. In addition, electronic payment eliminates the need for a cashiering function.

Taxpayers benefit through the reduction of paper and the ease in filing. The programs have an acknowledgment process that is not included in paper return processing. The taxpayer receives notification (and peace of mind) that the department has accepted the return. On a larger scale, everyone benefits when government operates more efficiently and more cost effectively.

ELECTRONIC TAX REPORTING FOR EMPLOYERS

The Montana Department of Revenue is showcasing a new filing method for the fourth quarter of 1994. Employers filing State Income Tax Withholding and the Old Fund Liability Tax can file and pay electronically.

Filings will transpire via computer modem. Taxpayers simply dial the department and transmit the necessary information. While still on-line, they receive notice of acceptance, or a warning that an error exists. An error code indicates where the problem is and what is wrong. The entire process takes less than a minute.

Payment options for the pilot include both ACH credit and ACH debit. This is a significant advancement for the department. Until now, the only electronic payment allowed has been fed wire transfers.

Under the ACH *debit* method, the taxpayer authorizes the Department of Revenue to initiate the funds transfer. An additional line in the electronic filing contains the taxpayer's bank account numbers and the amount of withdrawal. The department collects this information in a file which First Bank Helena will access to initiate the transfer.

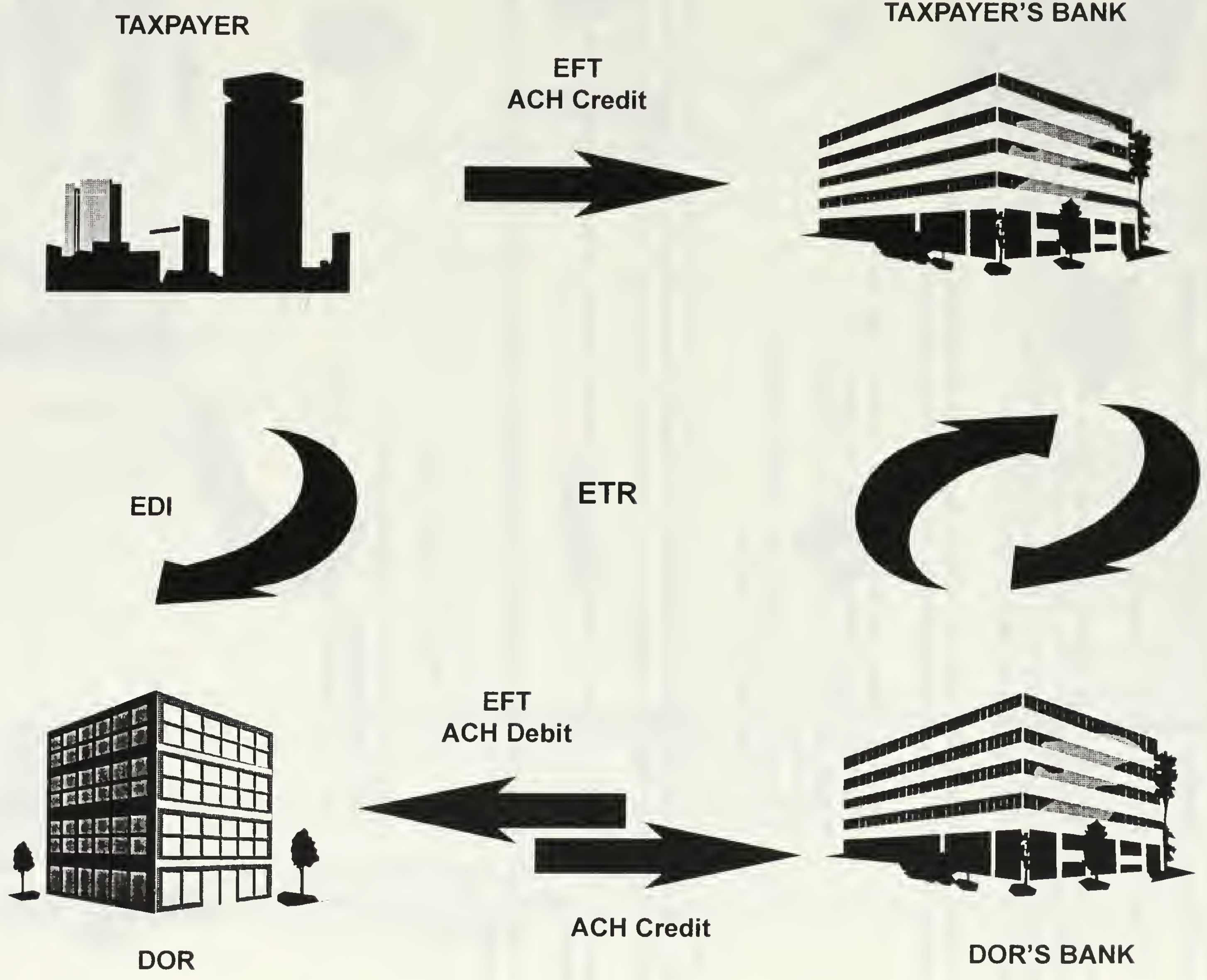
Under the ACH *credit* method, the taxpayer must contact his/her bank and initiate the transfer. First Bank accepts ACH credits which follow the guidelines set forth by the National Automated Clearing House Association, in a format commonly referred to as CCD+.

The benefits to the Department are tremendous. Electronic Tax Reporting (ETR) will reduce the strain on current operations. Mailroom, cashiering, data entry, document storage and error correction functions are all but eliminated under ETR.

Taxpayers benefit through the reduction of paper and the ease in filing. The two way communication provides instant notification of filing errors, before penalties and interest may accrue. Finally, there is peace of mind in knowing a filing has been accepted by the department.

On a larger scale, everyone benefits when government operates more efficiently and more cost effectively. A graphical representation of the systems is shown on the opposite page.

Electronic Tax Reporting For Employers



MONTANA/IRS ELECTRONIC FILING FOR INDIVIDUALS

Starting January 15, 1995, the Montana Department of Revenue will accept electronically filed income tax returns from resident taxpayers in a pilot project with the Internal Revenue Service.

Electronic filing is the receiving, processing, archiving and retrieving of tax returns using electronic records.

First, the practitioners enter the taxpayer's Montana income tax return information on a personal computer. Second, utilizing a telephone line, the tax data is transmitted electronically to the Internal Revenue Service. Third, the tax return information is retrieved by the Department of Revenue from the IRS. Fourth, the electronic return is then reformatted and input directly into the income tax system.

Electronic filing replaces the following traditional steps which are expensive, labor intensive, and error prone because of the numerous manual processes and human intervention involved:

* Receiving returns, opening envelopes, extracting, and counting,
* Sorting by type of return, numbering and batching
* Manual coding & editing for computer processing
* Data entry
* Correcting certain errors (Error Resolution System)
* Operational controls & tracking

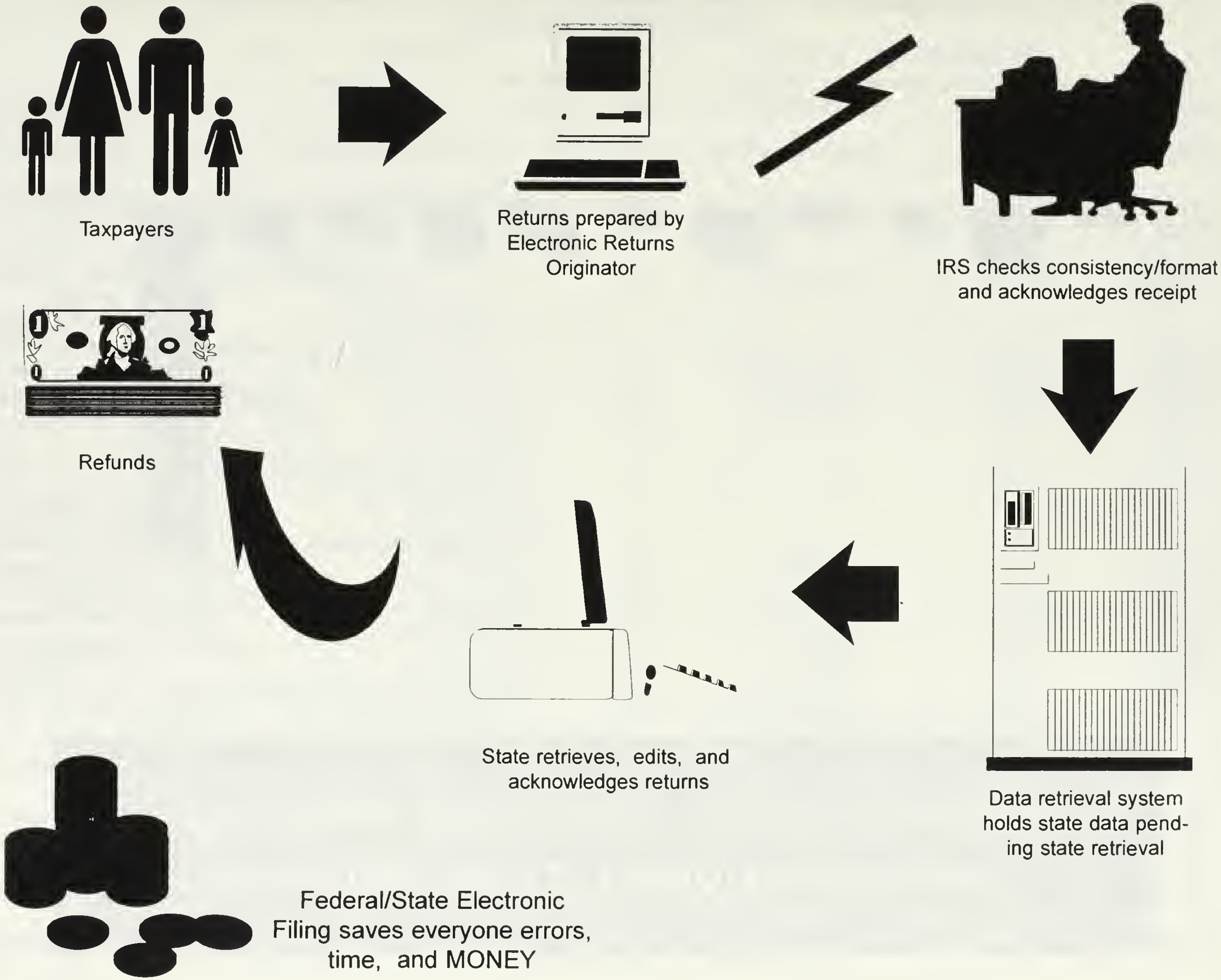
Electronic filing (ELF) automates certain manual processes such as return validation, blocking, and numbering. ELF also has an acknowledgment process that's not included in manual return processing which informs the taxpayer that the return has been received by the Department of Revenue (not lost in the mail) and is processable.

Because of the low error rate and the ability to view and correct the return on a screen display, less paper is needed.

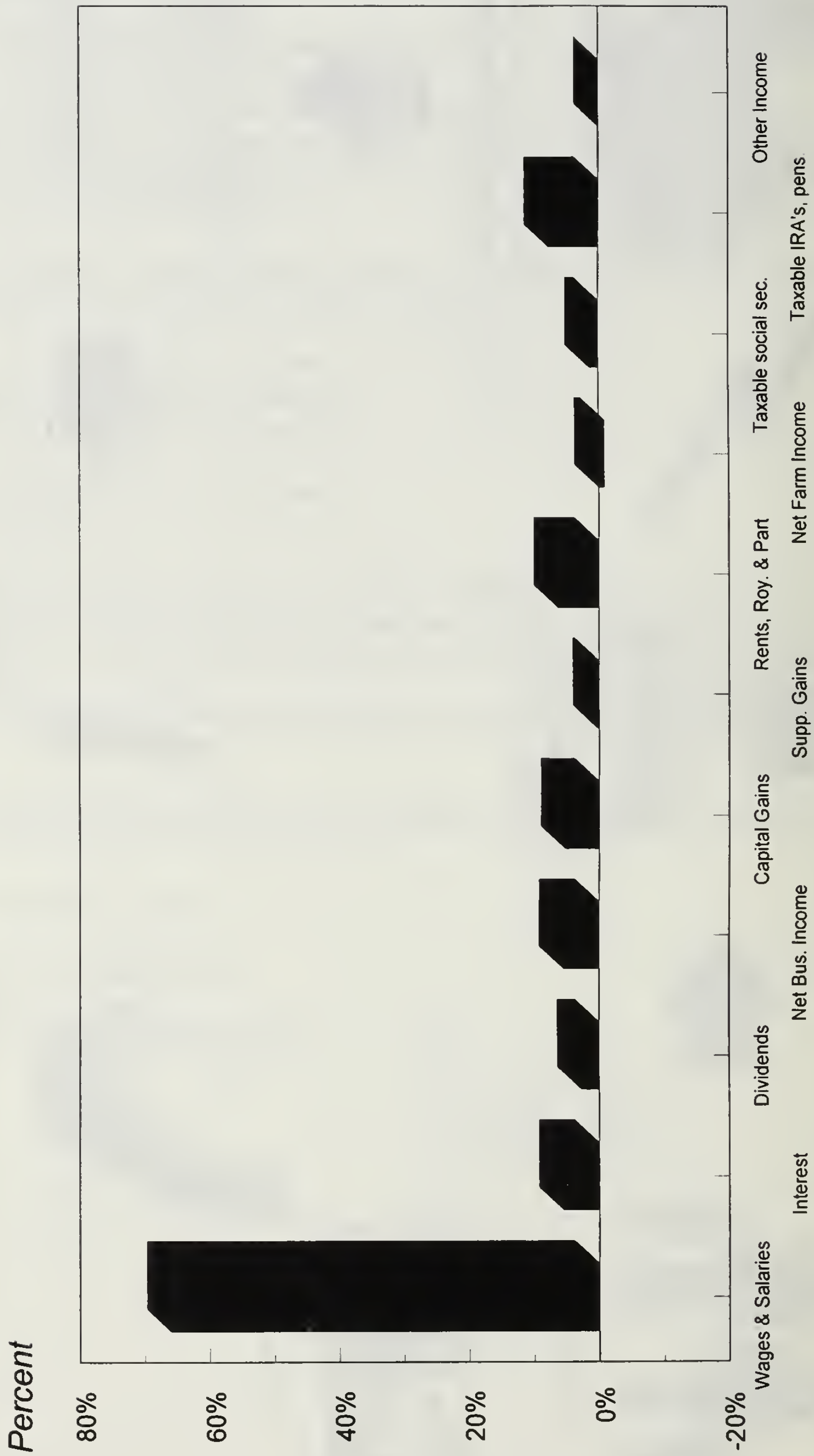
In 1996, the ELF system will be expanded to allow taxpayers to electronically deposit refunds in their bank account.

The Electronic Filing System consists of 3 components:

* Data Communications Subsystem (DCS)
* Processing Subsystem
* Archive and Retrieval Facility Subsystem (ARF)


Taxpayers
Returns prepared by Electronic Returns Originator
IRS checks consistency/format and acknowledges receipt
Data retrieval system holds state data pending state retrieval
State retrieves, edits, and acknowledges returns
Refunds
Federal/State Electronic Filing saves everyone errors, time, and MONEY

Components Of Reported Income (Full-Year Residents - 1995 Returns)



Reconciliation of Total Income From All Sources (Federal) and Montana Taxable Income
All Filers - 1995 Tax Year

Item of Information	Line	Total Reported	Number of Returns	Average Per Return
TOTAL INCOME FROM ALL SOURCES (FEDERAL)	18	$16,451,494,884	485,438	$ 33,890
IRA, keogh, moving exp., self-emp. tax/health insurance, etc.	19	198,857,014	94,749	2,099
TOTAL FEDERAL ADJUSTMENTS	19	198,857,014	94,749	2,099
FEDERAL ADJUSTED GROSS INCOME	**20**	**$ 16,252,637,870**	**485,348**	**$ 33,487**
MONTANA ADDITIONS:				
Interest on non-Montana state/local gov't bonds	21	$210,010,613	20,254	$10,369
Federal income tax refunds	22	174,474,814	99,847	1,747
Other additions, transfer allocations	23	203,207,930	24,977	8,136
TOTAL ADDITIONS	24	587,693,357	129,860	4,526
FEDERAL ADJ. GROSS INCOME PLUS ADDITIONS	25	$16,840,331,227	485,492	$ 34,687
MONTANA REDUCTIONS:				
Capital gains exlusion for pre-1987 installment sales	26	$9,167,455	3,313	$2,767
Interest exclusion for elderly	27	49,499,119	62,742	789
Interest exclusion for U.S. savings bonds	28	227,370,297	41,354	5,498
Exempt retirement income	29	161,052,118	44,798	3,595
Unemployment Compensation	30	59,291,584	30,470	1,946
Tip Income	31	14,694,123	7,486	1,963
Other reductions, transfer allocations, recycling of materials	32	423,583,793	125,564	3,373
TOTAL REDUCTIONS	33	944,658,489	219,673	4,300
MONTANA ADJUSTED GROSS INCOME	**35**	**$15,895,672,738**	**482,602**	**$32,937**
STANDARD DEDUCTIONS	36	$409,927,469	209,271	$1,959
ALLOWABLE ITEMIZED DEDUCTIONS	36	4,241,220,168	277,104	15,306
EXEMPTION VALUE (1,480 per exemption claimed)	38	$1,354,345,040	486,374	$2,785
MONTANA TAXABLE INCOME	**39**	**$10,746,862,393**	**419,401**	**$25,624**

1995
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
ITEMIZED DEDUCTIONS FOR ALL TAXPAYERS

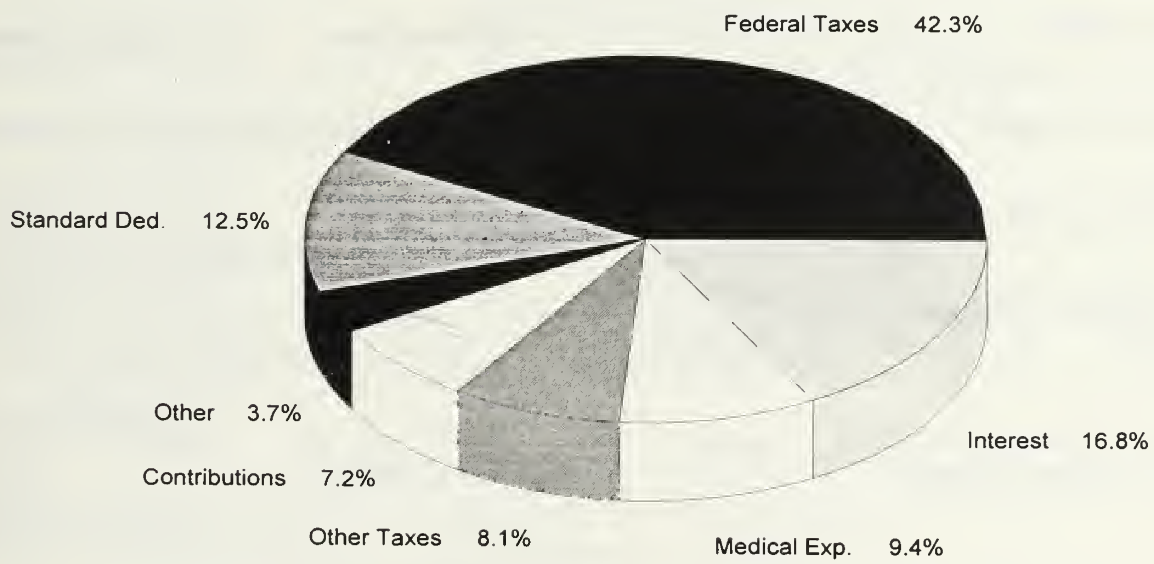
ITEM	TOTAL AMOUNT	# OF CLAIMS	AVERAGE
MEDICAL INSURANCE PREMIUM (½)	$84,836,674	95,379	$889
MEDICAL	$190,766,130	74,936	$2,546
LONG TERM CARE INSURANCE PREMIUM	$6,870,374	3,946	$1,741
FEDERAL TAX DEDUCTION			
Paid by Withholding or Est. Tax	$2,027,200,183	227,547	$8,909
Balance of 1992 Paid in 1993	451,292,254	64,355	7,013
Additional Taxes for other Years	39,338,315	6,944	5,665
Total	$2,517,830,752	298,846	$8,425
PROPERTY & OTHER TAXES			
Real Estate, Personal Property	$231,115,616	171,182	$1,350
Motor Vehicle & Other Taxes	48,884,318	128,623	380
Total	$279,999,934	299,805	934
MORTGAGE INTEREST	$515,008,795	125,313	$4,110
INVESTMENT INTEREST	$168,002,590	12,168	$13,807
CONTRIBUTIONS	$400,068,935	165,089	$2,423
CHILD & DEPENDENT CARE	$2,597,134	2,015	$1,289
CASUALTY LOSSES	$4,436,354	525	$8,450
BUSINESS & OTHER EXPENSES	$140,676,970	50,183	$2,803
MISCELLANOUS EXPENSES	$4,997,357	2,418	$2,067
TOTAL	$4,316,091,999		

Note: A return filed may have federal tax deductions on more than one line. Thus, one return can be counted twice when all lines are totaled.

DEDUCTIONS CLAIMED ON 1995 RETURNS
(Full-Year Residents - By Dollar Value)

Montana is tied by law to the same itemized deductions that are allowed under the federal law with one exception. In addition, Montana law allows other itemized deductions that are not allowed at the federal level.

Montana's one exception to the federal law is that state tax is not allowed as an itemized deduction. The major additional itemized deductions allowed include: federal taxes paid, long-term care insurance, 50% of health insurance premiums, and child/dependent care expenses.



1995
MONTANA INCOME TAX ANALYSIS
ALL TAXPAYERS
COMPARISON OF ITEMIZED VS. STANDARD FILERS

ITEM	ITEMIZED	STANDARD
NUMBER OF RETURNS	277,104	209,271
TOTAL RETURNS	486,375	486,375
PERCENT	57.0%	43.0%
DEDUCTIONS	$4,241,220,168	$409,927,469
TAXABLE INCOME	$8,498,642,584	$2,249,019,962
NUMBER OF RETURNS	277,104	209,271
AVG. TAXABLE INCOME	$30,669	$10,747
AVG. STANDARD & ITEMIZED DEDUCTION	$15,306	$1,959
ITEM. OR STANDARD DEDUCTION AS A % OF TAXABLE INCOME	49.9%	18.2%

1995
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
INCOME TAX CREDITS FOR ALL TAXPAYERS

ITEM	TOTAL AMOUNT	# OF CLAIMS	AVERAGE
RURAL PHYSICIAN CREDIT	$284,718	76	$3,746
COLLEGE CONTRIBUTION CREDIT	$108,894	1,769	$62
ELDERLY CARE CREDIT	$11,337	48	$236
OTHER STATE/FOREIGN TAXES	$6,642,342	8,239	$806
CONTRACTORS GROSS RECEIPTS CREDIT	$585,765	195	$3,004
INVESTMENT CREDIT	$185,068	181	$1,022
NONFOSSIL ENERGY CREDIT	$149,304	759	$197
ENERGY CONSERVATION CREDIT	$128,959	1,918	$67
WIND-POWERED GENERATION	$2,760	9	$307
RECYCLING CREDIT	$124,666	70	$1,781
MOTOR VEH. CONVERSION TO ALTERNATIVE FUELS	$4,710	9	$523
CAPITAL COMPANY CREDIT	$ 892,516	45	$19,834
DEPENDENT CARE ASSISTANCE CREDIT	$1,082	2	$541
EMPLOYEE HEALTH INSURANCE CREDIT	$3,423	5	$ 685
INFRASTRUCTURE USERS FEE CREDIT	$2,748	6	$458
ELDERLY HOMEOWNER/RENTER CREDIT			
Filed with Tax Returns	$ 5,277,519	13,589	$388
Filed Seperately	2,691,283	8,270	$325

Montana Income Tax Analysis
Effective Tax Rate by Decil Group
Full-Year Resident Taxpayers - Tax Year 1995

Decile Group*	Montana Adjusted Income Range		Gross Income	Total Tax Liability	Returns in Bracket Percent	Returns in Bracket Number	Average Tax per Taxpayer	Effective Tax Rate**
1	0 -	$2,576	($170,818,972)	77,105	10%	44,203	$1.74	NA
2	$2,577 -	$5,320	173,902,143	1,105,053	10%	44,203	$25.00	0.64%
3	$5,321 -	$8,278	299,506,909	3,227,550	10%	44,203	$73.02	1.08%
4	$8,279 -	$11,504	436,142,852	6,439,882	10%	44,203	$145.69	1.48%
5	$11,505 -	$15,020	584,613,175	11,321,751	10%	44,203	$256.13	1.94%
6	$15,021 -	$19,109	750,999,848	17,100,317	10%	44,203	$386.86	2.28%
7	$19,110 -	$24,225	952,344,131	26,046,752	10%	44,203	$589.25	2.74%
8	$24,226 -	$31,324	1,217,047,271	38,392,359	10%	44,203	$868.55	3.15%
9	$31,325 -	$42,938	1,610,149,845	56,997,032	10%	44,203	$1,289.44	3.54%
10	$42,939	and over	3,561,939,723	185,640,330	10%	44,204	$4,199.63	5.21%
Total			**$9,415,826,925**	**$346,348,131**	**100%**	**442,031**	**$783.54**	**3.68%**

* Each decile group includes one-tenth of all returns filed. The first group includes returns with the very lowest incomes, while the last group includes returns having the highest incomes. ** Effective tax rate is defined as tax liability divided by gross income. It measures the percent of gross income paid in income tax.

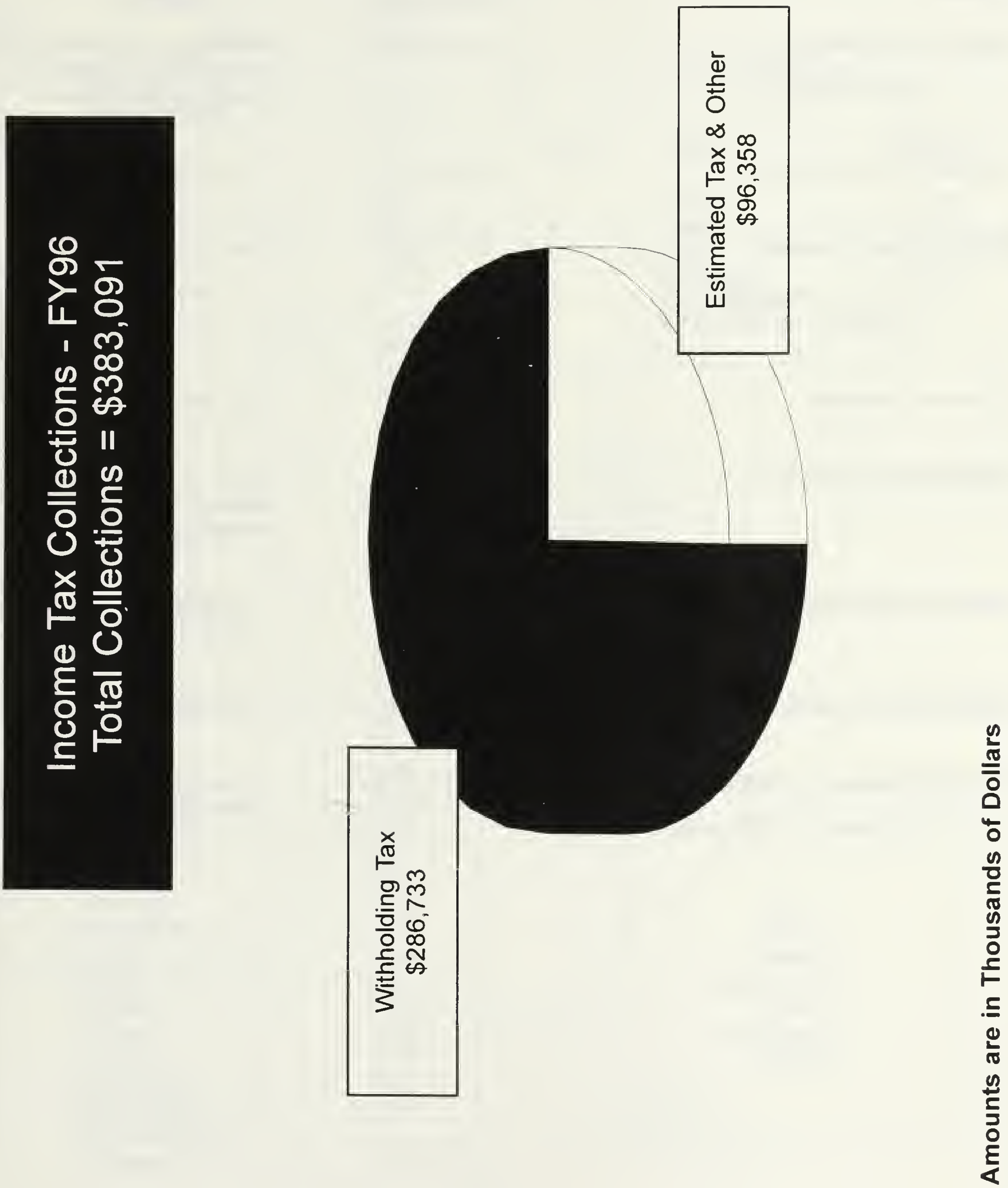
WITHHOLDING TAX

The majority of revenue collected by the state is through state income tax withholding. This money is withheld from employee's wages and remitted to the state by employers. The amount of money withheld from an employee's wage is determined by Montana's withholding tax rates, the number of allowances and the length of the payroll period.

The withholding tax rates are based on yearly forecasts of a person's wages to determine the amount of income tax the employee will owe and the employer should withhold. There are different withholding tax rates depending on how often a person is payed. The state's goal in establishing withholding rates is to keep the number of refund returns between 55% & 57%. The other factor that contributes to the amount of tax withheld is the number of dependents the employee claims. This factor is controlled by the employee unless the state feels it is unreasonable.

Percentage of Refund Returns and Average Refund

Calendar Year	Total Returns Processed	Number of Refund Returns	Percentage Refund Returns	Average Refund
1990	377,079	207,036	55%	$226.63
1991	389,953	217,114	56%	$236.31
1992	388,842	223,040	57%	$232.21
1993	405,807	232,399	57%	$278.33
1994	407,560	225,329	55%	$333.87
1995	421,180	246,505	58%	$338.23


Income Tax Collections - FY96
Total Collections = $383,091
Estimated Tax & Other
$96,358
Withholding Tax
$286,733
Amounts are in Thousands of Dollars

SOME ITEMS OF MONTANA'S INDIVIDUAL INCOME TAX SYSTEM THAT DIFFER FROM OTHER STATES - FY 96

Tax Item	Tax Expenditure	Comments
Retirement Exclusion - Maximum $3,600	$6.9 million	Phased out $2 for every $1 over $30,000 of Federal Adjusted Gross Income
Unemployment Benefits	$2.9 million	One of 9 states
Elderly Interest Exclusion - 65 or older = $800.00 - 65 or older filing joint = $1,600	$2.3 million	One of 2 states
Tip Income Exclusion	$0.9 million	Only state to exclude
Married-Separate Filing	$42.0 million	One of 10 states that allow option of filing separate without penalty.
Social Security Benefits	$23.4 million	All states exclude at least some S.S. benefits.
Capital Gains Exclusion	$0.6 million	Pre-1987 gains only.
Federal Tax Deduction (100%)	$122.4 million	One of 9 states; four of these limit deduction.

Comparisons of Individual Income Tax Burdens
Taxes per $1,000 of Personal Income (PI)
All States - Tax Year 1995

Rank	State	Tax Per $1,000 PI
1	Oregon	43.26
2	Massachusetts	38.69
3	Hawaii	37.72
4	New York	36.75
5	Minnesota	35.38
6	Wisconsin	35.35
7	Delaware	35.16
8	Idaho	33.60
9	North Carolina	31.56
10	Utah	30.18
11	Iowa	29.18
12	Kentucky	28.93
13	Maine	27.45
14	Maryland	26.96
15	California	26.89
16	Georgia	26.69
17	Vermont	26.62
18	Virginia	26.31
19	South Carolina	25.63
20	**Montana**	**25.37**
21	Rhode Island	24.80
22	Oklahoma	24.69
23	Colorado	24.65
24	Arkansas	24.50
25	West Virginia	23.79
26	Nebraska	23.13
27	Indiana	22.86
28	Ohio	22.67
29	Connecticut	21.79
30	New Jersey	20.58
31	Pennsylvania	20.31
32	Arizona	19.95
33	Missouri	19.94
34	New Mexico	19.65
35	Alabama	19.44
36	Illinois	19.15
37	Michigan	18.55
38	Kansas	18.24
39	Louisiana	13.58
40	Mississippi	12.72
41	North Dakota	12.07
42	New Hampshire	1.45
43	Tennessee	1.14

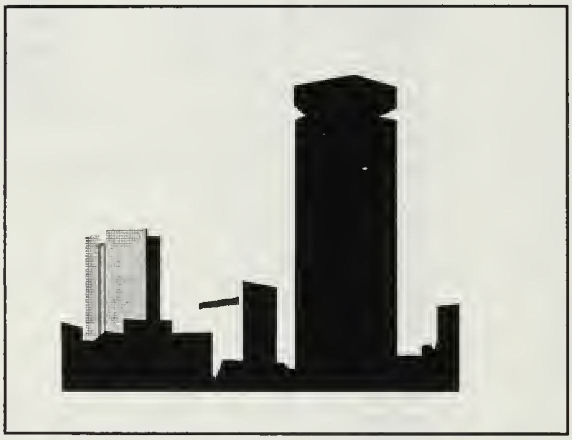
Regional Ranking

Rank	State	Tax Per $1,000 PI
1	Oregon	43.26
2	Idaho	33.60
3	Utah	30.18
4	**Montana**	**25.37**
5	North Dakota	12.07

States With No Income Tax

Alaska
Florida
Nevada
South Dakota
Texas
Washington
Wyoming

Natural Resource and Corporation Tax Division
Corporation Tax Bureau



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OVERVIEW OF TAX

The corporation license tax is a franchise tax levied on corporations for the privilege of doing business in Montana. The rate of the tax is 6.75% and is calculated on net income earned in Montana. There is a minimum tax of $50. Corporations may elect S-corp status which allows them to pay a $10 annual fee. The income of the S-corp will then flow through to the individual shareholders' personal tax return and tax would be paid at the individual level.

In computing net income, gross income is the same as for federal corporate tax purposes. Allowable deductions include all ordinary and necessary business expenses, certain losses and depreciation of assets, resource depletion allowance, interest paid on business debts, taxes paid (except all taxes measured by net income or profits), certain charitable contributions, certain energy-related investments, and net operating losses.

Banks and savings and loan associations are treated, for corporate tax purposes, similar to other corporations, except that 80% of the tax they pay is returned to the counties in which the bank or savings and loan association is located. This allocation was designed to reimburse local governments for revenue lost when the property tax on bank shares was repealed in 1979.

Comparison Of Tax Rate With Other States
There are 45 states which have a similar tax. The schedule on page 34 shows the rates vary from a low of 3.4% to a high of 12.25%. Montana ranks 26th with a rate of 6.75%.

Filing Dates
The corporation license tax return is due 4 ½ months after the end of the corporation's taxable year. Corporations may have an automatic 6 month extension to file their return if they so choose. Corporations which have a tax liability of $5,000 or more are required to make quarterly estimated tax payments on the fifteenth day of the 4th, 6th, 9th and 12th months of their tax year.

Penalties and Interest
Late payment of tax is subject to a 10% penalty. Interest will accrue on unpaid tax at an annual rate of 12%.

Revenue Distribution
Corporation tax revenue is distributed 89.5% to the general fund, and 10.5% to the long range building program. Interest, penalties, and surtax is distributed 100% to the general fund.

Audit Program
One of the major responsibilities of the corporation tax bureau is to conduct audits. There are approximately 17 FTE's in the bureau and 12 of those FTE's are auditors. These auditors will audit many of the major multistate and multinational corporations which have activity in Montana. The following are summary statistics regarding the audit program:

Annual audit collections

10 year average: $8,937,014
5 year average: $9,769,219
2 year average: $8,560,034

Corporate Tax Returns
FY1996 Returns Filed

Regular Corporations	16,565
S-Corporations	9,993
Total	26,558
Corporations paying the $50 Minimum Tax:	8,682
Corporations paying more than $50:	7,883
Total	16,565

Corporation Tax Revenue

Type	FY94	FY95	FY96
Non-Financial	$57,851,001	61,027,101	$65,036,616
Financial	11,019,908	14,938,684	12,096,657
Total	$68,870,909	$75,965,785	$77,133,273
Financial Refunds To Counties	$8,815,926	$11,950,947	$9,677,325

Corporation License Tax Revenue
By Standard Industrial Classification
FY1996

Major Industrial Group	Revenue
Agriculture	$4,061,323
Mining	394,736
Construction	2,165,142
Manufacturing	10,080,390
Transportation, Communications, & Utilities	11,785,020
Wholesale & Retail Trade	10,556,460
Finance, Insurance, & Real Estate	15,630,426
Services	3,450,520
No Grouping	6,184,059
Total	$64,308,095

Percent Of Tax Paid By Top 100 Corporate Taxpayers

FY1996	58.0%

Maximum State Corporation Tax Rates

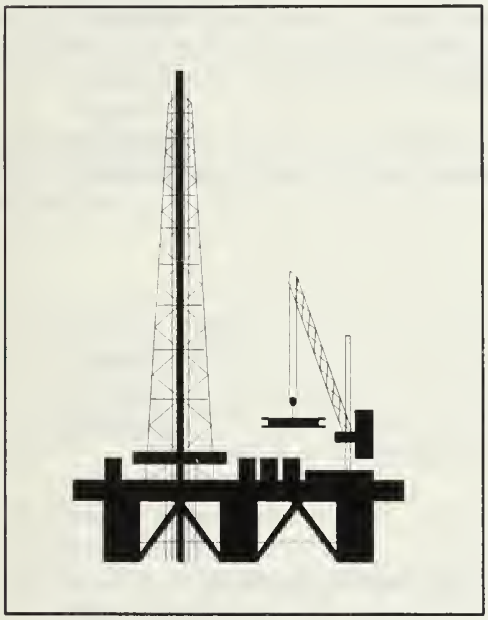
Pennsylvania	12.25%
Iowa*	12.00%
Connecticut	11.50%
North Dakota*	10.50%
Minnesota	9.80%
Alaska*	9.40%
Arizona	9.30%
California	9.30%
West Virginia	9.08%
New Jersey	9.00%
New York	9.00%
Rhode Island	9.00%
Maine*	8.93%
Ohio*	8.90%
Delaware	8.70%
Kentucky*	8.25%
Vermont*	8.25%
Idaho	8.00%
Lousiana*	8.00%
New Hampshire	8.00%
Wisconsin	7.90%
Nebraska*	7.81%
North Carolina	7.75%
New Mexico*	7.60%
Maryland	7.00%
Montana	**6.75%**
Oregon	6.60%
Arkansas*	6.50%
Missouri*	6.50%
Hawaii*	6.40%
Georgia	6.00%
Oklahoma	6.00%
Tennessee	6.00%
Virginia	6.00%
Florida	5.50%
Colorado*	5.10%
Alabama	5.00%
Mississippi*	5.00%
South Carolina	5.00%
Utah	5.00%
Illinois	4.80%
Kansas	4.00%
Indiana	3.40%

No Corporation Income Tax

Massachusetts**
Michigan**
Nevada
South Dakota
Texas**
Washington**
Wyoming

*States with a graduated rate corporation income tax. Highest rate is shown.
**States have an alternative form of corporation tax not necessarily based on income.

Natural Resource and Corporation Tax Division
Natural Resource Tax Bureau



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MONTANA TAXATION OF NATURAL RESOURCES

Historically, Montana has relied on its store of natural resource wealth as a primary source of tax revenue. So significant is this source of revenue, that it has been likened to the "third leg" of Montana's tax stool, supplementing the individual income and property tax as the three major sources of revenue in the state. However, it should be noted that FY1996 revenues from natural resource taxes have now dropped to less than one half of FY1985 collections.

This section discusses the characteristics of each of the different natural resource taxes in Montana. Generally, natural resource taxes may be categorized as either severance/license taxes, or some form of ad valorem (property) taxes. Details of the following taxes are provided in subsequent subsections.

State Severance and License Taxes	**Fiscal 1996 Collections**
Coal Severance Tax	$36,260,949
Oil & Gas Production Tax (State Share)	13,654,950
Metalliferous Mines License Tax	6,941,131
Resource Indemnity and Groundwater Assessment Tax (RIGWAT)	3,351,177
Cement and Gypsum Taxes and Licenses	146,828
Electrical Energy Producer's License Tax	3,520,407
Total State Collections	$63,875,442

Local Government Ad Valorem and Severance Taxes	
Coal Gross Proceeds Tax	$12,460,066
**Oil & Natural Gas Production Tax (Local Government Share)	30,158,857
Metal Mines Gross Proceeds Tax	3,317,249
Miscellaneous Mines Net Proceeds Tax	1,788,455
Total Local Government Collections	$45,936,172

** FY 1996 Collections for the Oil & Gas Production Tax include the following amounts:

Pre-1985 Distribution - Oil	$17,668,624
Pre-1985 Distribution - Gas	5,889,766
Post-1985 Distribution - Oil	3,712,962
Post-1985 Distribution - Gas	2,887,505

Information provided includes tax rates, filing requirements, disposition of the tax, production tax incentives, and recent revenue collections.

COAL SEVERANCE TAX

Tax Rates (coal severance tax rates vary with heating quality and type of mining as follows):

Heating quality (BTU per pound)	Surface Mining	Underground Mining	Extended Depth Auger Mining
Under 7,000	10% of value	3% of value	7.5% of value*
7,000 and over	15% of value	4% of value	7.5% of value*

*The tax rate reduction for extended depth auger method of mining terminates June 30, 1997.

Value of Coal: The value of coal to which the severance tax is applied is the "contract sales price". The contract sales price is the price of coal extracted and prepared for shipment f.o.b. mine, less that amount required to pay production taxes. Production taxes include the state severance tax, resource indemnity and groundwater assessment tax (RIGWAT), local gross proceeds taxes, federal reclamation taxes, and the federal Black Lung Tax. The contract sales price also includes all royalties paid on production; however, with respect to royalties paid to federal and state governments, or Indian tribes, the contract sales price includes only 15 cents per ton.

Filing Requirements: Coal mine operators are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 30 days following the close of each calendar quarter).

Coal Severance Tax Collections

1992	43,434,111
1993	38,439,386
1994	41,005,757
1995	41,701,929
1996	36,260,949

Distribution of Coal Severance Tax Revenue

Coal Permanent Trust Fund	50.00%
General Fund	26.79%
Long Range Building Fund	12.00%
Local Impact Fund, etc.	8.36%
Parks Acquisition	1.27%
Renewable Resource Loan Fund	0.95%
Capitol/Arts Trust Fund	0.63%

The balance in the Coal Trust Funds as of June 30, 1996 was $572.4 million, and the interest income from the trust for fiscal year 1996 was $44.4 million.

Production Incentives: Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing in excess of 50,000 tons per year are exempt from severance tax on the first 20,000 tons produced. Effective calendar year 1995 a person is not liable for any severance tax upon the first 2,000,000 tons of coal produced as feedstock for an approved coal enhancement facility. This exemption terminates December 31, 2005.

OIL & GAS PRODUCTION TAX (STATE SHARE)

The 1995 Montana Legislature found that the extraction taxes being paid on the production of oil and natural gas were exceedingly complex and confusing. Oil and natural gas producers were required to file several tax forms and to pay taxes at different times on the same production. The legislature found that it was in the best interest of the state and of the oil and gas producers to simplify the taxation of oil and natural gas. The legislature therefore replaced all existing extraction taxes on all oil and natural gas production with a single production tax based on the type of well and type of production. This tax is effective January 1, 1996.

	Working Interest	Royalty Interest
NATURAL GAS		
All taxable royalties		15.10%
Pre-1985 wells	18.85%	
Post-1985 wells:		
First 12 months	.80%	
Next 12 months	12.80%	
After 24 months	~~15.45%~~ 12.80	
Stripper (wells that average less than 60 MCF/day)		
Pre and post 1985 wells	11.30%	
CRUDE OIL		
Primary Recovery:		
Pre-1985 wells	14.20%	17.20%
Post-1985 wells:		
First 12 months	.80%	15.10%
Next 12 months	7.80%	15.10%
After 24 months	15.45%	15.10%
Stripper (Wells that average less than 10 Bbls/day):		
Pre-1985 Wells:		
First 3 Bbls	5.80%	17.20%
Over 3 Bbls	10.80%	17.20%
Post-1985 Wells:		
First 3 Bbls	5.80%	15.10%
Over 3 Bbls	10.80%	15.10%
Horizontally Drilled:		
First 18 months	.80%	5.80%
Next 6 months	7.80%	12.80%
After 24 months	12.80%	12.80%
Incremental Production:		
Secondary Production:		
Pre-1985 Wells	8.80%	16.30%
Post-1985 Wells	8.80%	10.80%
Tertiary Production:		
Pre-1985 Wells	6.10%	15.30%
Post-1985 Wells	6.10%	9.80%
Recompleted Horizontal Production:		
Pre-1985 Wells	5.80%	5.80%
Post-1985 Wells	12.80%	12.80%

Value of Oil
Total gross value is computed as the product of the total number of barrels produced each month and the average well mouth value per barrel. Producers are allowed to deduct any oil produced that is used in the operation of the well.

Value of Gas
Total gross value is computed as the product of the total number of cubic feet produced each month and the average well mouth value per cubic foot. Producers are allowed to deduct any natural gas produced that is used in the operation of the well.

Exemptions
Royalties received by an Indian tribe with respect to on-reservation oil production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties are exempt from taxation.

Filing Requirements
Oil & Natural Gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Distribution of Oil and Gas Production Tax
The oil and gas production tax is distributed in the following manner:

Natural Gas: Approximately 15% of taxes collected from natural gas goes to support state government - 85% General Fund, 10.7% RITT, 4.3% Board of Oil and Gas. The remaining 85% of taxes collected are distributed as outlined in Oil and Gas Production Tax (Local Government Share).

Crude Oil: Approximately 45% of taxes collected from oil goes to support state government - 85% General Fund, 10.7% RITT, 4.3% Board of Oil and Gas. The remaining 55% of taxes collected are distributed as outlined in Oil and Gas Production Tax (Local Government Share).

Oil and Gas Production Tax Collections (State Share) FY1996

1992*	$18,188,274
1993*	$19,566,495
1994*	$12,867,586
1995*	$13,250,852
1996	$11,550,425

* These figures include the Oil Severance Tax, the Natural Gas Severance Tax and the Oil and Gas Privilege & License Tax, which were collected individually for FY 92 - FY 95.

Production Incentives
Incremental production from secondary and tertiary recovery projects and recompleted horizontal wells are taxed at reduced rates as indicated above. These reduced rates apply when the average price for crude oil is less than $30 per barrel. Production from stripper wells is taxed at reduced rates as indicated above. The first 24 months of production from a well drilled after March 31, 1995 is taxed at reduced rates as indicated above.

Metalliferous Mines License Tax
Tax Rates - Concentrates

Gross Value of Product	Tax Rate
first $250,000	0%
over $250,000	1.81%

Metalliferous Mines License Tax
Tax Rates - Dore/Bullion/Matte

Gross Value of Product	Tax Rate
first $250,000	0%
over $250,000	1.6%

METALLIFEROUS MINES LICENSE TAX

Gross Value

The value to which the tax rate is applied is the monetary payment of refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest and penalty, metal impurity, and moisture deductions as specified by contract between the mining company and the receiving metal trader, smelter, roaster, or refinery. Deductions are not allowed either directly or indirectly as an offset to payments for the cost of transportation from the mine or mill to the smelter, roaster, or refinery. Demurrage, storage, interest, or any other miscellaneous costs related to transporting the mineral product are considered transportation and are not deductible.

Filing Requirements

Persons extracting metals are required to file reports containing information sufficient to calculate the tax due. Reports and payment of metal mines tax are due on or before March 31 of each year for the products produced in the preceding calendar year.

Of the revenue collected during the biennium, 58% is deposited in the General Fund, 8.5% in the abandoned mines account, 4.8% to the reclamation and development grants account, 2.2% to the ground water assessment account, 1.5% in the hard-rock mining impact trust account, and 25% to the county or counties identified as experiencing fiscal and economic impacts under an impact plan. If no such plan has been prepared, 25% to the county in which the mine is located.

Metalliferous Mines License Tax
Revenue Collections
Fiscal Year

1992	$6,595,467
1993	$6,521,076
1994	$6,229,683
1995	$5,259,334
1996	$6,941,131

MICACEOUS MINES LICENSE TAX

Micaceous minerals are those that are generally classified as complex silicates, and include such minerals as vermiculite, perlite, kerrite, maconite, bentonite, silica, bauxite, etc.

Tax Rate

$0.05 per ton of concentrates mined, extracted, or produced.

Filing Requirements

Operators of micaceous mineral mines are required to file quarterly statements showing the number of tons of micaceous minerals mined. Quarterly returns, along with the accompanying tax payment, are due within 30 days following the end of each calendar quarter.

There have been no Micaceous Mines License Tax collections in the last five fiscal years because of no production. All proceeds from the micaceous mines license tax are deposited in the state general fund.

RESOURCE INDEMNITY AND GROUNDWATER ASSESSMENT TAX (RIGWAT)

RIGWAT TAX RATES

Talc	$25, or 4% of gross value, whichever is greater;
Coal	$25, or 0.4% of gross value, whichever is greater;
Vermiculite	$25, or 2% of gross value, whichever is greater;
Limestone for quicklime	$25, or 10% of gross value, whichever is greater;
Industrial Garnets	$25, or 10% of gross value, whichever is greater;
All Other Minerals	$25, or 0.5% of gross value (if in excess of $5,000);

Filing Requirements
All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers are required to file on or before March 31. All other producers are required to file on or before the 60th day following the end of the calendar year. The tax due is required to be paid at the time of filing the statement of gross yield.

RIGWAT GROSS VALUES

Talc	$4.25 per ton, adjusted annually for inflation
Coal	Contract Sales Price
Vermiculite	$27 per ton, adjusted annually for inflation
Limestone for quicklime	$.34 per ton, adjusted annually for inflation
Industrial Garnets	$20 per ton, adjusted annually for inflation
All Other Minerals	Market value

Exemptions
(1) Persons who have paid the metal mines license tax are exempt from the RIGWAT.

(2) Oil and gas royalties received by an Indian tribe, by the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, and by a county or municipality are exempt from the RIGWAT.

(3) Persons who have paid the Oil and Gas Production tax are exempt from the RIGWAT.

Distribution of RIGWAT
The resource indemnity trust fund was created to indemnify the citizens of Montana for the loss of long-term value resulting from the depletion of natural resource bases, and for environmental damage caused by mineral development. The fund is invested at the discretion of the state Board of Investments. Once the fund balance has reached $100 million, all earnings and receipts are to be appropriated and expended by the legislature.

Tax collections are deposited 14.1% in the groundwater assessment account, 10% in the renewable resource grant and loan program, 30% to the reclamation and grants account, and the remainder to the Resource Indemnity Trust Fund. Prior to FY96, a portion (revenues from mines with gross value greater than $250,000) of revenues from the Metal Mines License Tax was allocated to RIGWAT. The revenues listed below for metal mines in FY96 are from mines with less than $250,000 in gross value and therefore must pay the RIGWAT.

RIGWAT Tax Collections By Mineral

Mineral	FY 95	FY 96
Coal	$1,226,960	$1,076,659
Oil	$1,095,959	$1,677,546
Natural Gas	$369,052	$426,979
Metals	$701,113	$1,589
Other	$177,724	$188,209
Total	$3,570,808	$3,370,982

Distribution of Interest Income from the Trust
Annually: $240,000 to the renewable resource loan & grant program to support operations of the environmental science-water quality instructional program;

At the beginning of the biennium:

$175,000	to the environmental contingency account;
$ 50,000	to the oil & gas mitigation account;
$2,000,000	to the renewable resource loan & grant program for grants;
$3,000,000	to the reclamation & development grants account;
$500,000	to the water storage state special revenue account;

Remainder:

18.0%	to the hazardous waste/CERCLA special revenue account;
36.0%	to the renewable resource loan & grant program;
6.0%	to the environmental quality protection account;
40.0%	to the reclamation & development grants account.

Resource Indemnity Trust Fund

Balance as of 6/30/96: $93,150,208

FY96 Interest Earned: $7,959,842

CEMENT AND GYPSUM TAXES AND LICENSES

Tax Rates
Producers, manufacturers, and importers pay $0.22 per ton of cement and $0.05 per ton of gypsum produced, manufactured, or imported. Cement dealers who sell at retail are liable for tax at the above rates on each ton of cement sold for which no tax has previously been paid.

Cement Tax Collections

FY92	$161,860
FY93	$136,060
FY94	$107,715
FY95	$141,685
FY96	$146,828

Filing Requirements
Producers, manufacturers, and importers shall file quarterly statements showing the number of tons of cement or gypsum produced, manufactured, or imported. The statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution
All proceeds from cement and gypsum taxes and licenses are deposited in the state general fund.

ELECTRICAL ENERGY PRODUCER'S LICENSE TAX

Tax Rate
$0.0002 per kilowatt hour produced.

Electrical Energy Tax Collections

FY92	$4,937,510
FY93	$4,232,200
FY94	$3,728,365
FY95	$3,885,910
FY96	$3,520,407

Filing Requirements
Producers of electricity shall file quarterly returns showing the amount of electricity produced except for necessary plant use. The statements and tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution of Electrical Energy Tax
All proceeds are deposited in the state general fund.

Production Incentives
Not applicable. However, an interest differential credit is allowed utility providers for low-interest loans provided to customers for energy efficiency improvements.

COAL GROSS PROCEEDS TAX

Tax Rates
Legislation passed during the 1989 special session established a flat 5% tax on coal gross proceeds.

Value of Coal
The gross proceeds of coal is determined by multiplying the number of tons produced times the contract sales price.

Filing Requirements
On or before March 31st of every year, each person or firm engaged in mining coal must file a statement of gross yield for every mine operated in the preceding year. The producer must pay 50% of the taxes due on or before November 30; the remaining 50% is due on or before May 31 of the following year.

Distribution of Coal Gross Proceeds Tax
The revenue is proportionally distributed to the appropriate taxing jurisdictions in which production occurred based on the total number of mills levied in fiscal year 1990.

Coal Gross Proceeds Tax Collections

FY92	$13,148,124
FY93	$14,021,404
FY94	$13,466,045
FY95	$14,371,095
FY96	$12,460,066

OIL AND GAS PRODUCTION TAX (LOCAL GOVERNMENT SHARE)*

Distribution of the Oil and Gas Production Tax
The oil and gas production tax is distributed in the following manner:

Natural Gas: Approximately 85% of taxes collected from natural gas goes to local government and schools. The remaining 15% of taxes collected are distributed as outlined in Oil and Gas Production Tax (State Share).

Crude Oil: Approximately 55% of taxes collected from crude oil goes to local government and schools. The remaining 45% of taxes collected are distributed as outlined in Oil and Gas Production Tax (State Share).

*See the section on Oil and Gas Production Tax (State Share) for all tax rate, value, exemption, filing requirement information.

Oil and Gas Production Tax Collections
Local Share

CRUDE OIL	FY95	FY96
Pre-1985 Distribution	$16,765,363	$17,668,624
Post-1985 Distribution	3,041,483	3,712,962
Subtotal	$19,806,846	$21,381,586
NATURAL GAS		
Pre-1985 Distribution	$6,042,861	$5,889,766
Post-1985 Distribution	3,222,941	2,887,505
Subtotal	$9,265,802	$8,777,271

Includes the Oil Net Proceeds Tax, the Natural Gas Net Proceeds Tax, the Oil Local Government Severance Tax and the Natural Gas Local Government Tax Which were collected individually for FY 92 - FY 95.

METAL MINES GROSS PROCEEDS TAX

Metal Mines Gross Proceeds Estimated Tax Collections

FY92	$3,876,891
FY93	$3,435,861
FY94	$3,518,004
FY95	$2,824,692
FY96	$3,317,249

Tax Rates
For property tax purposes, the taxable value of metal mines is equal to 3% of annual gross proceeds. This amount is then subject to local mill levies in the jurisdictions in which the taxable value of the mining operation is allocated (see section regarding distribution on next page).

Gross Value
Total gross proceeds means the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, refinery, determined by multiplying the quantity of metal received by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest and penalty, metal impurity, and moisture deductions as specified by contract. Metal mines that produce less than 20,000 tons of ore in a year are exempt from property taxation on one-half of the merchantable value.

Filing Requirements
Persons mining metals are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of metal mined during the preceding calendar year.

Distribution of Metal Mines Gross Proceeds Tax
The taxable valuation of hard-rock mining operations is subject to allocations specified by hard-rock mining impact property tax base sharing laws. Generally, the tax base is allocated to taxing jurisdictions based on their associated relative economic impacts.

MISCELLANEOUS MINES NET PROCEEDS TAX

MISCELLANEOUS MINES NET PROCEEDS DETERMINATION

Talc	$4.25 per ton, adjusted annually for inflation
Coal	Contract Sales Price
Vermiculite	$27 per ton, adjusted annually for inflation
Limestone for quicklime	$.34 per ton, adjusted annually for inflation
Industrial Garnets	$20 per ton, adjusted annually for inflation
All Other Minerals	Gross proceeds minus allowable costs

Tax Rates
For property tax purposes, the taxable value of mines other than metal and coal mines (bentonite, talc, vermiculite, etc.) is equal to 100% of annual net proceeds. This amount is then subject to local mill levies in the jurisdictions in the mining operation is located.

Exemptions
Sand, gravel, travertine and building stone are exempt from mines net proceeds taxation. Producers of industrial garnets are exempt from mines net proceeds taxation on their first 1,000 tons of production.

Filing Requirements
Persons operating miscellaneous mines are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of minerals mined during the preceding calendar year, and information on costs associated with the mining operation sufficient to allow calculation of the net proceeds from the operation.

Miscellanous Mines Net Proceeds Tax Collections

FY92	$2,156,478
FY93	$2,091,703
FY94	$2,007,979
FY95	$1,200,562
FY96	$1,788,455

Distribution of Miscellaneous Mines Net Proceds Tax
The net proceeds of miscellaneous mines is subject to mill levies of those taxing jurisdictions in which the mine is located. The tax is distributed on the basis of relative mills levied by all jurisdictions levying taxes in the area.

OIL TAXES IN THE 14 MAJOR OIL PRODUCING STATES
As Of January 1, 1996

State	Severance Or Gross Prod. Tax Rate	Local Ad-Valorem Taxes Effective Rate	Misc. Taxes	Total Tax %	# Barrels 1990	# Barrels 1994
Alaska[1]	15.0% (13.08%)	*		15.0% (13.08%)	665.5	594.9
Wyoming	6.0%	6.7%		12.7%	107.7	86.4
Montana[2]	0.8% - 17.2%			0.8% - 17.2%	19.8	16.5
Louisiana	12.5%	*		12.5%	141.6	125.7
Texas[3]	4.6%	4% - 5%	0.5%	9.1% - 10.1%	639.6	533.6
North Dakota[4]	9.0% or 11.5%	*		9.0% or 11.5%	36.7	27.6
Kansas[5]	8.0%		2.1%	8% (value)+2.1% (vol.)	55.1	46.7
Utah[3,6]	3.0% or 5.0%	4% - 5%	0.2%	4.2% + Ad Valorem (4-5%)	27.7	20.7
New Mexico	3.75%	1.18%	3.33%	8.26%	68.7	68.5
Colorado[7]	2% - 5%	7.0%	0.17%	7.17%	30.5	32.5
Michigan	6.6%	*	1.0%	7.6%	19.9	12.1
Oklahoma	7.0%	*		7.0%	112.2	91.0
Mississippi	6.0%	*		6.0%	26.4	19.5
California		1.0% Max.		1.0% Max.	320.8	286.3

* Severance (or gross production) tax is in lieu of local property taxes on the oil.

1. Alaska's nominal rate of 15.0% (12.25% for the first 5 years for new fields) is reduced for each field by an economic limit factor determined by the field's total average daily production and its average daily production per well. Because lower production fields have lower rates, Alaska's average effective rate is currently about 13.08%.

2. Montana's tax rates vary based on the type of well, when the well was drilled, and whether the taxpayer has a working or non-working interest. A portion of the production tax is allocated back to local governments in lieu of property taxes.

3. Texas and Utah have property taxes on oil properties, but it was not possible for local authorities to estimate an effective tax rate.

4. In North Dakota, wells drilled and completed after April 27, 1987 are taxed at a rate that is 2.5% lower than older wells.

5. Kansas has an 8.0% severance tax, but allows a credit of up to 3.67% for property taxes paid on oil properties. The severance tax is baed on value while the miscellaneous taxes are based on volume.

6. Information for Utah is through January 1, 1994. The severance tax is 3% on the first $13 per barrel and 5% on any amount over $13 per barrel.

7. Colorado has a 2% to 5% severance tax but allows 87.5% of local property taxes as a credit against the tax. Since property taxes average about 7%, this credit generally eliminates the severance tax liability.

SOURCE: All information presented was collected by North Dakota Tax Department, Oil and Gas Section, February, 1996.

Individual Income and Miscellaneous Tax Division

Jeff Miller
Administrator
444-2842

Business Tax Bureau
Char Maharg
Bureau Chief
444-3375

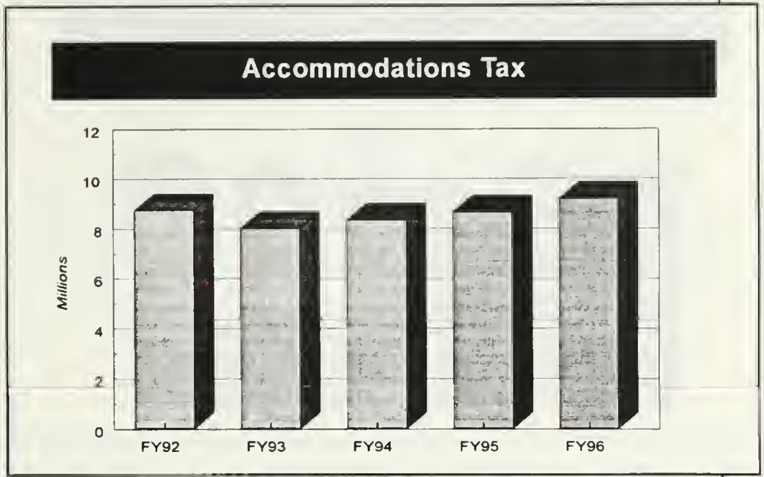
Accommodations Tax

INDEX TO SECTION

Accommodations Tax

A tax is imposed on users of overnight lodging facilities. This tax is 4% of the accommodation charge and is collected by the owner or operator of the facility. The tax is due quarterly.

Proceeds from the tax are deposited in a state special revenue fund to the credit of the Department of Revenue. After the department administrative costs are paid and the amount of tax paid by state agencies for in-state lodging is deposited in the General Fund, the balance is distributed: 1% to the Montana Historical Society, 2.5% to the university system for the Montana travel research program, 6.5% goes to the Department of Fish, Wildlife and Parks for maintenance of facilities. Of the balance, 75% goes to the Department of Commerce for its direct use and the rest goes to various regional nonprofit tourism corporations unless that particular city-county area collects in excess of $140,000 in proceeds annually. In this instance, half of the amount available for distribution to the nonprofit tourism corporation would instead go to a nonprofit convention and visitors bureau in that city-county region. (MCA 15-65-111.)

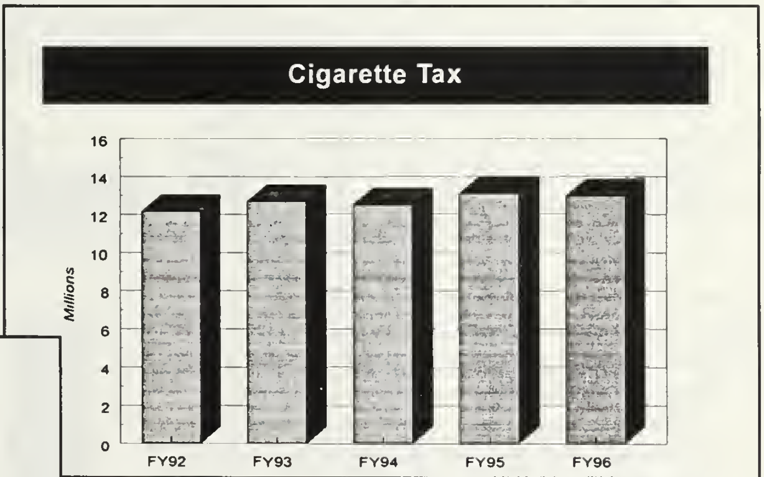


Accommodations Tax Collections

FY92	$8,762,356
FY93	$8,029,960
FY94	$8,348,996
FY95	$8,684,736
FY96	$9,197,924

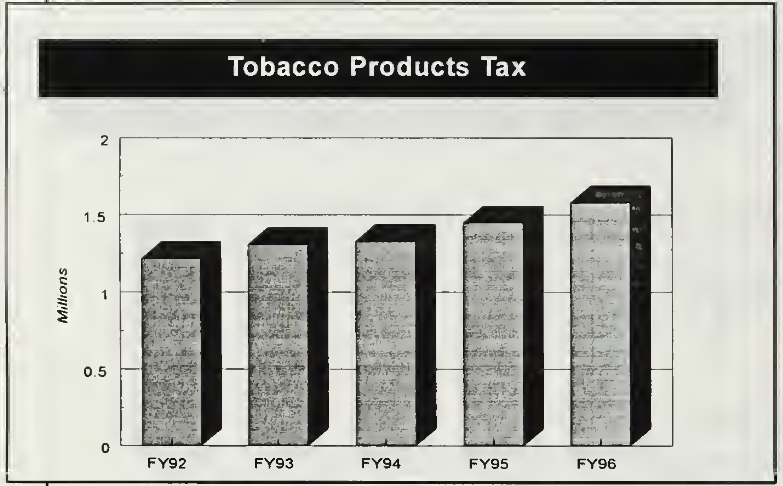
Cigarette Tax

Cigarette wholesalers in the state pre-collect a tax of 18¢ per package of 20 cigarettes. The tax is then included in the retail price of the cigarettes. A tax insignia must be affixed to each package by the wholesaler who is entitled to purchase insignias at face value less allowances to defray costs of affixing insignias and pre-collecting the tax on behalf of the State of Montana. The tax is due upon purchase of insignia or within 30 days if the wholesaler is bonded. Beginning August 15, 1993 11.11% of the collections go to state veterans' nursing homes, the remainder goes to the long-range building program: 79.75% to debt service and 20.25% to capital projects.
(MCA 16-11-119;17-5-408.)



Cigarette Tax Collections

FY92	$12,172,863
FY93	$12,698,194
FY94	$12,495,504
FY95	$13,114,640
FY96	$12,969,137



Tobacco Products Tax

All tobacco products, excluding cigarettes, are subject to a tax of 12.5% of their wholesale price. The tax is collected from the wholesaler less a 5% defrayment for collection and administrative expenses. The tax is due 10 days after the end of each month. Collections are deposited in the long-range building program debt service fund. *(MCA 16-11-202.)*

Tobacco Products Tax Collections

FY92	$1,224,587
FY93	$1,308,951
FY94	$1,328,908
FY95	$1,446,101
FY96	$1,579,547

Cigarette Wholesalers' and Retailers' License Fees

A license fee is imposed on cigarette dealers in Montana. Wholesalers, subjobbers and vendors (possessing 10 or more machines) pay an annual license fee of $50 for each fiscal year. Retailers and vendors (possessing 9 or less machines) pay an annual license fee of $5 for each fiscal year. *(MCA 16-11-120.)*

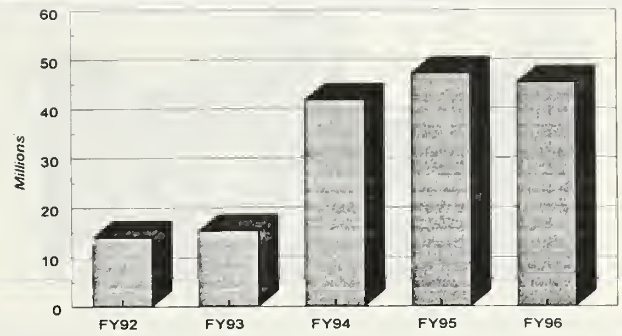
Cigarette License Fee Collections

FY92	$15,095
FY93	$11,616
FY94	$13,505
FY95	$12,872
FY96	$14,790

Old Fund Liability Tax

Effective July 1, 1993 the Old Fund Liability Tax replaced the Workers' Compensation Payroll Tax. For FY94, employers paid a 0.5% tax on payroll and employees paid a 0.2% tax, with some exceptions. The self-employed paid a 0.1% tax for tax year 1993 and 0.2% for tax year 1994. The tax is due the last day of the month following the close of a calendar quarter. The revenue from this tax goes to the workers' compensation tax account in the state special revenue fund for bond repayment. Any surplus must be used to reduce the unfunded liability in the state fund incurred for claims for injuries that occurred prior to July 1, 1990. *(MCA 39-71-2505)*

Old Fund Liability Tax Collections



Old Fund Liability Tax Collections

FY92*	$14,067,435
FY93*	$15,436,795
FY94	$41,771,588
FY95	$47,117,119
FY96	$45,254,475

*Worker's Comp. Payroll Tax.

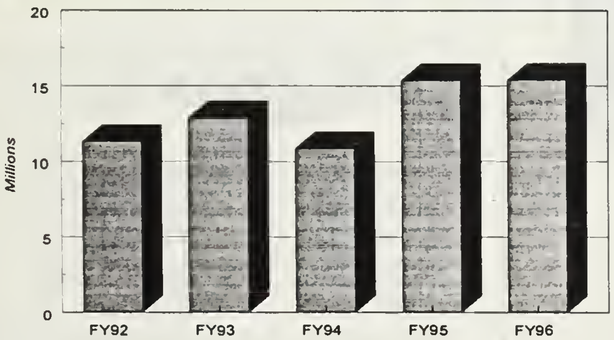
Inheritance Tax Collections

FY92	$11,338,204
FY93	$12,869,460
FY94	$10,885,745
FY95	$15,382,449
FY96	$15,404,110

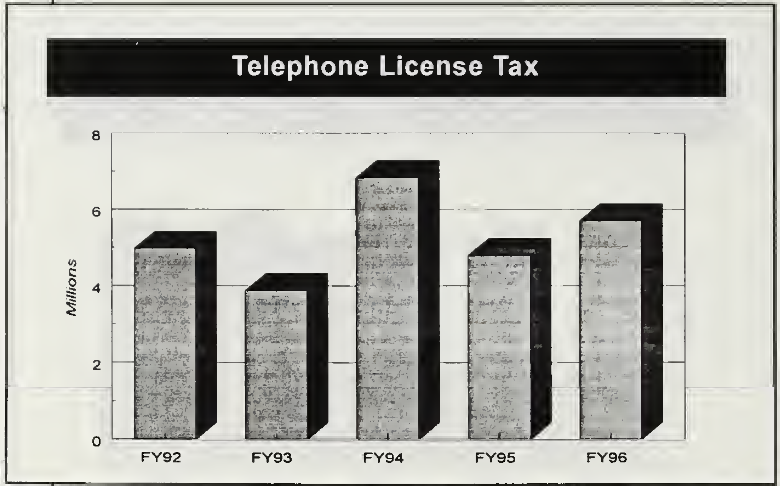
Inheritance Tax

An inheritance or succession tax is paid by the recipient of any decedent's property or interest within Montana. Surviving spouses and children are 100% exempt from the tax (effective 1/1/79 and 1/1/81 respectively).The Inheritance Tax applies to nonresidents if the transferred property is real and is located in Montana. Rates of taxation range from 2% to 8% of the clear market value if the inheritance is under $25,000. The rate depends on the relationship of the beneficiary to the decedent. Tax rates are higher on amounts transferred in excess of $25,000.

Inheritance Tax



In addition to the inheritance tax, an estate tax is imposed upon the transfer of any estate subject to federal estate tax. The estate tax is equal in amount to the maximum tax credit allowable for state death taxes against the federal estate tax less any inheritance tax paid. Proceeds collected under the inheritance tax are deposited in the general fund. *(MCA 72-16-321, 322.)*



Telephone Company License Tax

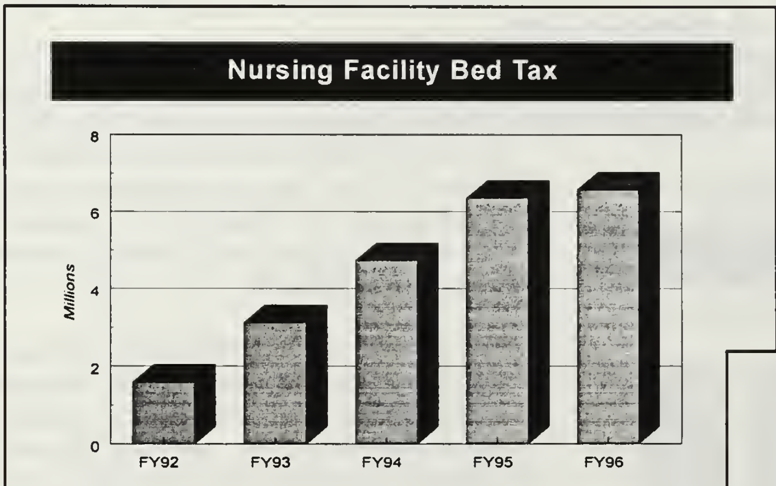
All gross revenue, in excess of $250 per quarter, derived from any telephone business in Montana is subject to a license tax of 1.8%. The tax is due within 60 days following the close of a calendar quarter. Gross revenue does not include carrier access revenue; revenue from certain sales of telephone services; revenue from equipment sales, leases, repairs, installations and maintenance; and customer access line charges assessed under Federal Communications Commission orders or rules. License taxes collected are deposited in the General Fund. *(MCA 15-53-101.)*

Telephone License Tax Collections

FY92	$4,983,796
FY93	$3,865,712
FY94	$6,835,201
FY95	$4,800,861
FY96	$5,711,933

Nursing Facility Bed Tax

Nursing facilities in Montana pay a utilization fee of $2.80 for each occupied bed day. The tax is due the last day of the month following the close of a calendar quarter. All revenues are deposited to the General Fund. *(MCA 15-60-102.)*



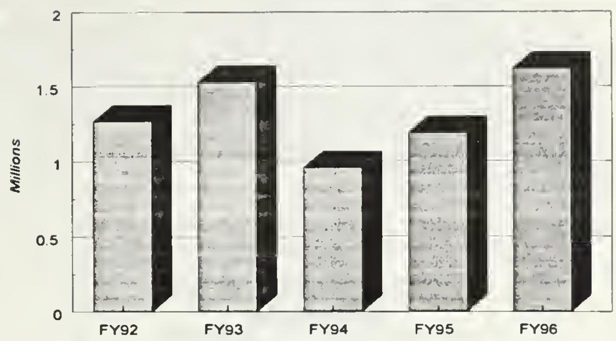
Nursing Facility Bed Tax Collections

FY92	$1,587,432
FY93	$3,131,331
FY94	$4,739,833
FY95	$6,364,377
FY96	$6,579,620

Public Contractors' Gross Receipts Tax

Prime contractors and all levels of subcontractors must pay a tax amounting to 1% of all public contracts over $5,000. Contractors can obtain part or all of the tax back by requesting refunds for personal property taxes paid on assets used in their contracting business and by claiming credit on their individual Montana income tax return or Montana Corporation License Tax return. Revenues are deposited to the credit of the General Fund. *(MCA 15-50-101.)*

Contractor's Gross Receipts Tax



Contractor's Gross Receipts Tax Collections

FY92	$1,270,364
FY93	$1,530,528
FY94	$964,193
FY95	$1,192,445
FY96	$1,621,441

Abandoned Property

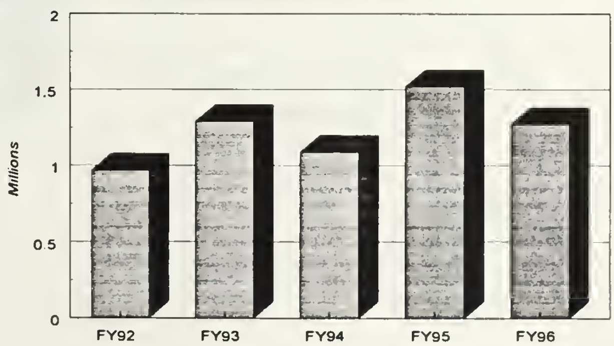
Under Montana's Unclaimed Property Act any intangible, and certain tangible property, unclaimed by its owner for at least 5 years, must be turned over to the Department of Revenue. Montana is considered a "custodial state" and holds such property on behalf of the owners of lost or abandoned property.

The Department maintains records on all abandoned property reported in Montana. Reports filed by holders of abandoned property (banks and insurance companies for instance) may be examined by the public.

All collections over $25,000 (the amount allocated to the agency refund account) are transferred to the Public School Non-Expendable Trust Fund. Interest income earned by the Trust is distributed to the state's school districts on the basis of student enrollment.

The refund period for items valued at over $10 is unlimited. Interest and dividends earned on the property are non-refundable. *(MCA 70-9-101.)*

Abandoned Property Collections

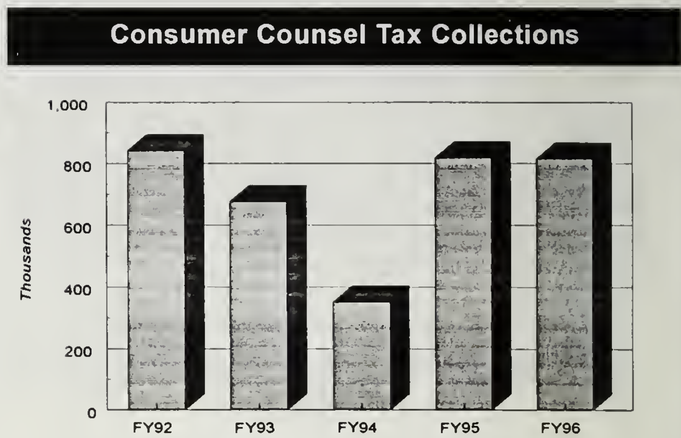


Abandoned Property Collections

FY92	$974,013
FY93	$1,286,062
FY94	$1,094,511
FY95	$1,518,264
FY96	$1,272,859

Consumer Counsel Tax

All companies providing services which are regulated by the Public Service Commission are subject to a quarterly Consumer Counsel Tax on gross operating revenue. The tax rate is set annually for the succeeding fiscal year to cover appropriations to the office of the consumer counsel. The tax is due within 30 days after the close of each calendar quarter. All collections are deposited in a state special revenue fund. *(MCA 69-1-201;223;224.)*



Consumer Counsel Tax Collections

FY92	$842,961
FY93	$677,495
FY94	$353,252
FY95	$819,133
FY96	$815,801

Rural Electric and Telephone Co-op Tax

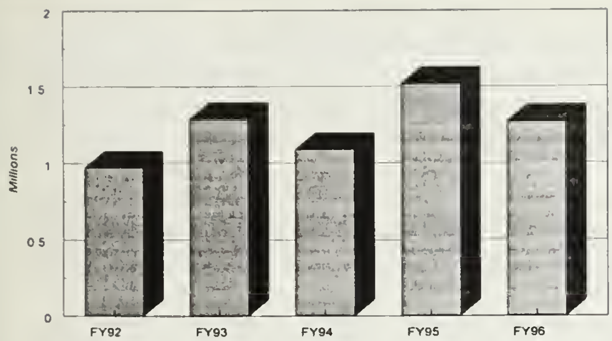
Electric and telephone cooperatives are subject to a license tax of $10 for every 100 people they serve within the state. The tax is due annually, on or before July 1. They are exempt from all other excise or income taxes. Collections are deposited in the state's General fund. *(MCA 35-18-503.)*

Rural Co-op Tax Collections

FY92	$12,364
FY93	$7,575
FY94	$18,217
FY95	$14,052
FY96	$12,631

Statewide Emergency Telephone 911 System Fee

Emergency Telephone 911 Fee Collections



A fee of 25 cents a month per access line on each service subscriber in the state is imposed on the amount charged for telephone exchange access services. Services that the state is prohibited from taxing and coin operated public telephones are exempt from this fee. The fee is due by the last day of the month following the close of the calendar quarter. The revenue from this fee is deposited in a special revenue fund for the development of emergency 9-1-1 systems in the state. (MCA 10-4-201.)

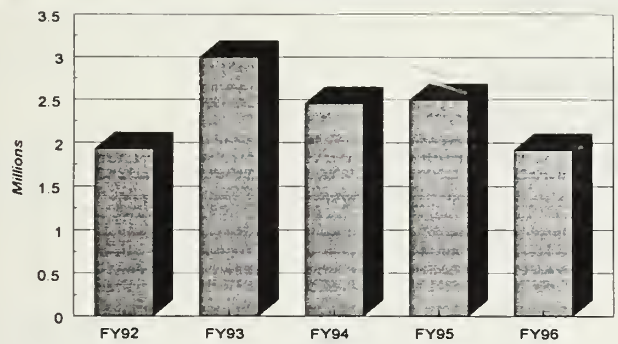
Emergency Telephone 911 Fee Collections

FY92	$974,013
FY93	$1,286,062
FY94	$1,094,511
FY95	$1,518,264
FY96	$1,272,859

Public Service Commission Tax

All companies providing services which are regulated by the Public Service Commission are subject to a quarterly tax on gross revenues excluding revenues from sales to other regulated companies for resale. The tax rate is set annually for the succeeding fiscal year. The tax is due within 30 days after the close of each calendar quarter. All collections are deposited in a state special revenue fund. *(MCA 69-1-402.)*

Public Service Commission Tax Collections



Public Service Commission Tax Collections

FY92	$1,934,214
FY93	$3,000,673
FY94	$2,455,541
FY95	$2,498,411
FY96	$1,915,092

Liquor Division

Gary Blewett
Administrator
444-0718

Mickey Carlson-Osborn
Customer Service Representative
444-0724

Denise King
Tax Audit Manager
444-0723

Diana Koon
License Bureau Chief
444-0711

Larry Logan
Liquor Distribution Accounting Supervisor
444-0730

Paul Martello
Supply Bureau Chief
444-0736

INDEX TO SECTION

The Liquor Division administers Title 16, Chapters 1 through 6, Montana Code Annotated which relates to alcoholic beverage control, sale, and distribution and the licensing of alcoholic beverage manufactures, wholesalers and retailers.

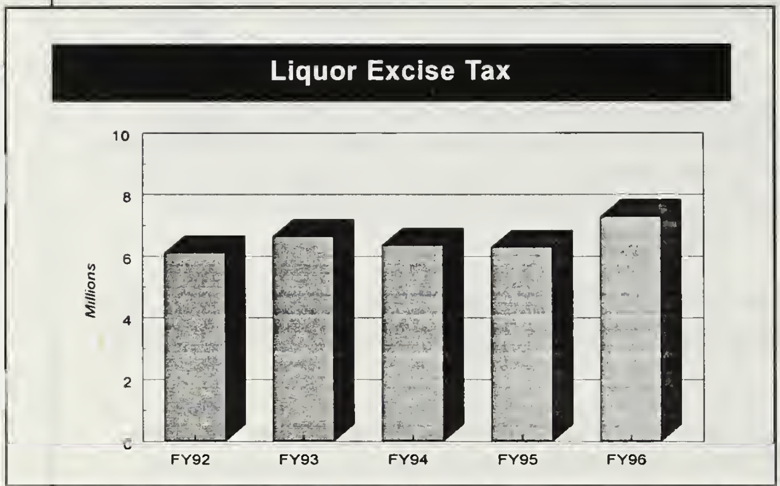
House Bill 574, which called for the privatization of state and agency operated liquor stores, transformed the Liquor Division. No longer does the State own the inventories held in the liquor stores. Agency Franchisees now purchase the product from the Liquor Warehouse and pay for the product at a reduced value depending on the contract rate. An explanation of privatization and its effects on the Liquor System can be found in the 1996 Annual Report of the Liquor Enterprise Fund.

The Liquor Division Distribution Section is composed of 14 employees. Warehouse inventory management, warehouse shipping and receiving, agents' order processing, agents' accounts receivable management, and customer service functions are all duties performed by this section.

The License Bureau is charged with all licensing and regulatory responsibilities for all-beverage, beer, and wine licensees. Additionally, the bureau oversees brewery and winery registrations, vendor permit applications and renewals, special retail beer permit applications, and provides information and explanation about licensing activity or related law, rule, policy and procedures.

The Tax Audit Manager performs internal audit functions, and compliance and financial audits for the Division.

An explanation of revenues and their distribution to cities, towns, and counties may be found in the 1996 Annual Financial Report of the Liquor Enterprise Fund.



LIQUOR EXCISE TAX

MCA 16-1-401

Overview
The Department of Revenue collects, at the time of the sale and delivery of any liquor authorized under any provision of the laws of the State of Montana an excise tax at the rate of 16% of the retail selling price. The Department retains the tax revenues in a separate account and, in accordance with the provisions of 15-1-501, deposits to the credit of the General Fund, the amount received not later than the 10th day of each month. The tax rate is 13.8% for companies that manufactured, distilled, rectified, bottled, or processed and sold not more than 200,000 proof gallons of liquor nationwide in the preceding calendar year.

Liquor Excise Tax Collections

FY92	$6,122,351
FY93	$6,645,090
FY94	$6,372,756
FY95	$6,309,139
FY96	$7,304,750

LIQUOR LICENSE TAX

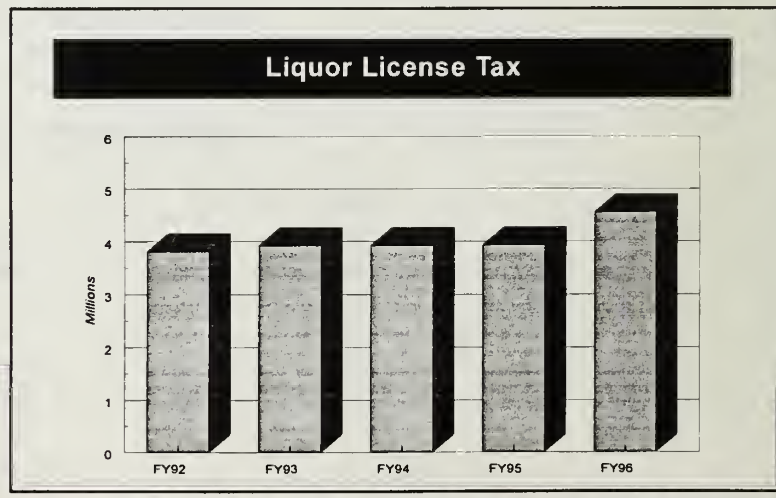
MCA 16-1-404

Overview
The Department of Revenue collects, at the time of the sale and delivery of any liquor authorized under any provision of the laws of the State of Montana a license tax at the rate of 10% of the retail selling price. The liquor license tax on products sold by companies whose annual sales do not exceed 200,000 proof gallons of liquor nationwide in the preceding year is 8.6%.

Thirty percent of this revenue is statutorily appropriated (17-7-502) to the Department and must be allocated to the counties, according to the amount of liquor purchased in each county (15-1-501), to be distributed to the incorporated cities and towns (16-1-404, Subsection 3, 16-1-405). Four and one-half percent of this revenue is statutorily appropriated (17-7-502) to the Department and must be allocated to the counties according to the amount of liquor purchased in each county (15-1-501) and may be used for County purposes. Sixty-five and one-half percent of this revenue must be deposited in the State Special Revenue Fund (15-1-501) to the credit of the Department of Public Health and Human Services for the treatment, rehabilitation, and prevention of alcoholism.

Liquor License Tax Collections

FY92	$3,823,569
FY93	$3,926,430
FY94	$3,930,634
FY95	$3,943,211
FY96	$4,564,287



BEER TAX

MCA 16-1-406

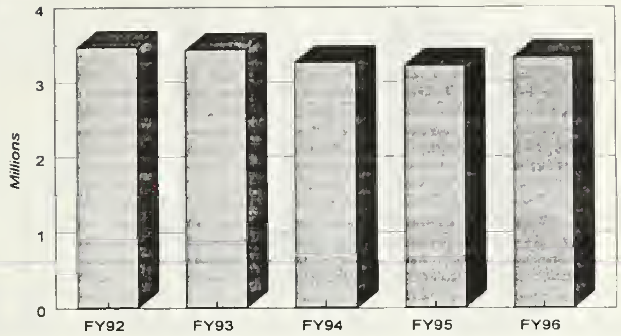
Overview

A tax of $4.30 per 31 gallon barrel is levied and imposed on each barrel of beer sold in Montana by any wholesaler. For beer sold in containers other than barrels, or in barrels of more or less capacity than 31 gallons, the quantity content is ascertained and computed by the Department in determining the tax amount due.

The tax must be paid by the 15th day of the month following the sale of the beer from the beer distributor's warehouse.

A total of $1.80 per barrel is deposited to the General Fund, $1.50 per barrel is statutorily appropriated (17-7-502) to the Department of Revenue for distribution to cities and towns, and $1.00 per barrel is deposited with the State Treasurer to the credit of the Department of Public Health and Human Services.

Beer Tax



Beer Tax Collections

FY92	$3,470,876
FY93	$3,441,481
FY94	$3,263,346
FY95	$3,215,598
FY96	$3,329,867

TABLE WINE TAX

MCA 16-1-409

Overview

A tax of 27 cents per liter is imposed and collected on table wine imported by a table wine distributor or the Department. The tax must be paid by the 15th day of the month following the sale of the table wine from the table wine distributor's warehouse.

A total of $0.17 per liter is deposited to the General Fund, $.0834 per liter is deposited in the State Special Revenue Fund to the credit of the Department of Public Health and Human Services, $.0133 per liter is statutorily appropriated (17-7-502) to the Department for distribution to counties, and $.0133 per liter is statutorily appropriated (17-5-502) to the Department for distribution to cities and towns.

Table Wine Tax

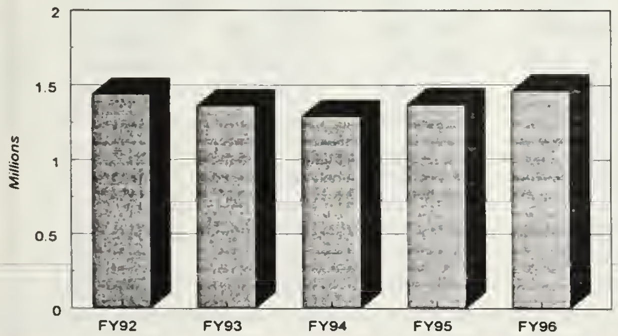
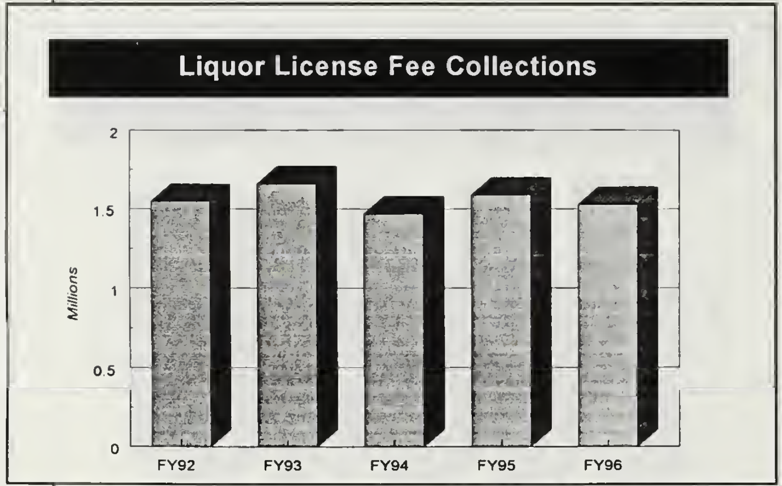


Table Wine Tax Collections

FY92	$1,439,696
FY93	$1,360,770
FY94	$1,289,016
FY95	$1,374,298
FY96	$1,459,901



LIQUOR LICENSE FEES

MCA 16-4-50, MCA 16-2-108, Rule 42.13.401

Overview
Licensing requirements vary depending on the associated license or permit. For detail, refer to Title 16, Chapter 4 and ARM 42.13.401.

Licensing renewals vary depending on the associated license or permit. For detail, refer to MCA 16-4-501 and ARM 42.13.401.

The revenue generated by the State's liquor licensing fees are transferred from the Liquor Enterprise Fund to the State General Fund.

Liquor License Fee Collections

FY92	$1,552,552
FY93	$1,658,224
FY94	$1,467,434
FY95	$1,592,687
FY96	$1,526,026

LIQUOR PROFITS

MCA 16-2-108 Rule 42.11.104

Overview
The 40% markup on the State's base case cost covers the operating expenses of the state liquor system and provides a net profit. The net profit generated by the State's liquor operation is transferred from the Liquor Enterprise Fund to the state General Fund.

Alcoholic Beverage Revenues
10-Year History

Fiscal Year	Liquor Operations Net Profit	Liquor Excise Taxes	Liquor License Taxes	Beer Taxes	Wine Taxes	Licensing Revenues	Total Revenue
1987	3,850,811	5,589,174	3,490,356	3,060,956	1,657,782	1,540,138	19,189,217
1988	3,785,922	5,322,934	3,323,773	2,997,015	1,569,140	1,610,907	18,609,691
1989	3,489,483	5,438,423	3,399,014	3,000,273	1,452,851	1,511,520	18,291,564
1990	4,162,346	5,434,746	3,396,716	3,028,991	1,403,692	1,661,818	19,088,309
1991	4,002,685	5,762,568	3,601,605	3,089,077	1,358,634	1,379,791	19,194,360
1992	4,066,047	6,122,351	3,823,659	3,470,876	1,439,696	1,552,552	20,475,181
1993	4,035,715	6,645,090	3,926,430	3,441,481	1,360,770	1,658,224	21,067,710
1994	3,717,344	6,372,756	3,930,635	3,263,346	1,289,016	1,467,686	20,040,783
1995	3,825,580	6,309,138	3,943,212	3,215,598	1,374,297	1,592,688	20,260,513
1996	5,057,401	7,304,750	4,564,287	3,329,867	1,459,901	1,569,923	23,286,130

Selected Comparisons of License Fees

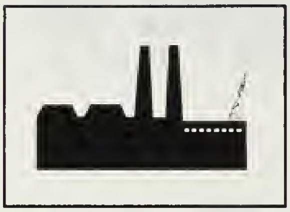
State	Fee	On-Premise License
Montana	$400-800	All Beverages
	$400	Beer and Wine
	$400-800	Fraternal All Beverages
	$250-650	Veteran's All Beverages
Wyoming	$500-3000	Restaurant License
	$100-1500	County Malt Beverage
	$100-1500	Fraternal, Veteran, Golf ,Social
Idaho	$50	Beer
	$100	Wine
	$300-750	Liquor
	$1200-2000	All Beverages
Washington	$205-355	Beer
	$150-300	Wine
	$700	Beer, Wine, Spirits Club
	$250	Malt Beverages
South Dakota	$500	Retail Wine
	Set at local Level	Retail Spirits, Beer, & Wine
North Dakota	$100-200	Spirits, Beer, Wine

Number of Licensees by License Type
Fiscal Year Ended June 30, 1996

Number Issued	Type of License	Annual Fee
	Off-Premise	
104	Agencies	No Fee
243	Beer	$200
5	Wine	$200
702	Beer & Wine	$400
1,054	Total Off-Premise	
	On-Premise	
97	Beer	$200
396	Beer & Wine	$400
1581	Beer,Wine, & Spirits	$400-$800
1,980	Total On-Premise	
	Wholesale	
19	Beer	$400
4	Wine	$400
25	Beer& Wine	$800
48	Total Wholesale	
	Suppliers	
73	Beer	$500
214	Wine	$25
287	Total Suppliers	

Property Assessment Division

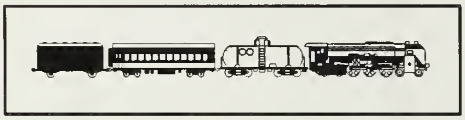
Mary Whittinghill
Administrator
444-1900



Appraisal and Assessment Bureau
Randy Wilke
Bureau Chief
444-3717

Management Services Bureau
Russ Hyatt
Bureau Chief
444-0947

Centralized Assessment Bureau
Gene Walborn
Bureau Chief
444-0908



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Although 95% of property taxes collected are spent locally, the Property Assessment Division is responsible for insuring that all property in the state is treated fairly. The Division's duties include the appraisal, assessment, and equalization of the value of all property in the state for the purpose of taxation.

Most real estate, improvements, and personal property are appraised by state employees in regional appraisal/assessment offices. A county presence is maintained in each county. Only six counties have elected county assessor positions. As required by current law, the Department contracts with those counties for the services of those individuals. The Department specifies their duties.

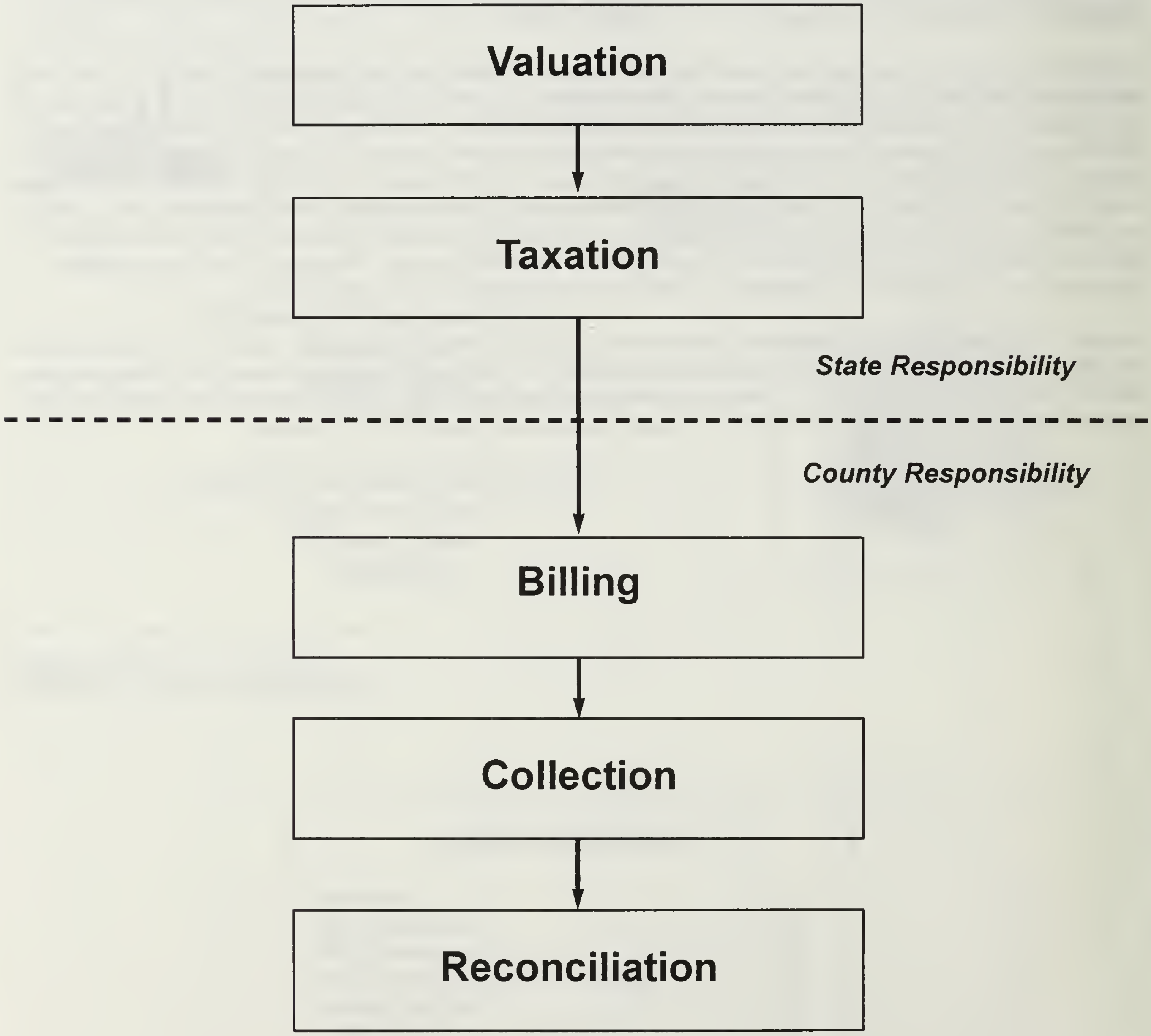
Property owned by companies that is single and continuous and is in more than one county (such as railroads, telecommunications, electric utilities and pipelines) is centrally assessed by the Property Assessment Division. The valuation is apportioned to counties and other jurisdictions on a mileage basis, or on another basis determined to be "reasonable and proper."

In 1975, the legislature required the Department of Revenue to administer and supervise a program for the revaluation every five years of all taxable property within the state. In 1991, the legislature reduced the timeframe of subsequent reappraisal cycles. Revaluations (more commonly called reappraisal cycles) are designed to insure that all property is taxed on current structural, market and income information. Montana's second statewide reappraisal was completed in 1985. The new reappraisal values were first used for the 1986 tax year. The third reappraisal cycle was completed in 1992 except for forest land and agricultural land. Those properties were completed in 1993. New reappraisal values for commercial and residential property were used for the 1993 tax year. New forest land and agricultural land values were used in the 1994 tax year. The state's fourth reappraisal is scheduled to be completed by December 31, 1996 and will be used for the 1997 tax year.

The rate of tax on the various classes of property and the establishment of the actual classes is a function of the Legislature. There are currently eleven classes of property. Local governments determine the mill levy requirements for each taxing jurisdiction. Those requirements include state mills. Using those mill levy determinations, division staff calculate property tax liability. Included are special district fees and charges.

Functions of Property Taxation

The various functions required to accomplish property taxation are identified below. The valuation and taxation functions are currently the responsibility of the state. The tax billing, collection, and reconciliation functions are a county responsibility.

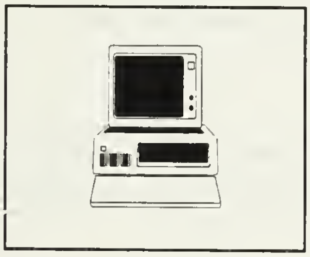


PROPERTY TAXATION

All taxable property must be assessed at 100% of its market value except as otherwise provided (15-8-111, MCA). Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

$75,000 = Market Value

The market value is multiplied times the statutory taxable percentage to get the taxable value of the property.



$75,000 X 3.86% = $2,895
Market X Taxable percentage = Taxable Value

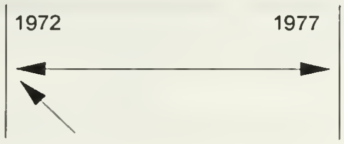
The taxable value is multiplied times the mill levy of the district to get taxes.
$2,895 X 400 mills = $1,158.00
A mill is a tenth of a cent. A levy of 400 translates to $400 per $1,000 of taxable value ($1,000 X .400 = $400).

REAPPRAISAL CYCLES

Property Types	Cycles
Residential Land & Buildings	Beginning in 1997 - 3 Years
Commercial & Industrial Land & Buildings	Beginning in 1997 - 3 Years
Business Equipment & Livestock	Annual Revaluation
Centrally Assessed Properties	Annual Revaluation
Forest Lands	Beginning in 1997 - 3 Years
Agricultural Land	Beginning in 1997 - 3 Years

Montana Department of Revenue
Reappraisal Cycles

First Appraisal Cycle
1972 thru 1977

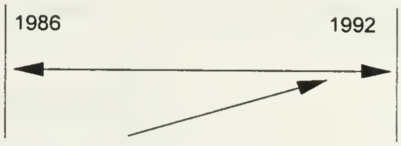


Base Year = January 1, 1972

Second Appraisal Cycle
1978 thru 1985

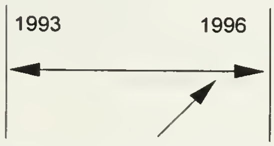
Base Year = January 1, 1982

Third Appraisal Cycle
1986 thru 1992



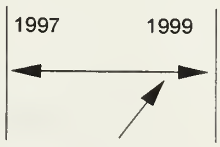
Base Year = January 1, 1992

Fourth Appraisal Cycle
1993 thru 1996
(Agricultural and forest property completed in 1994)



Base Year = January 1, 1996

Fifth Appraisal Cycle
1997 thru 1999



Base Year = January 1, 1999

Property Assessment Division Organizational Structure

ADMINISTRATOR

Centralized Assessment Bureau
- -utilities
- -railroads
- -private carlines
- -telecommunications
- -large industrial property

Appraissal & Assessment Bureau

Management Services Bureau
- -computer systems support
- -quality performance & development
- -personnel training/support
- -budget preparation & analysis
- -word processing & admin support

Tax Appraisal Specialist Team
- -procedures
- -exemptions/appeals
- -income/market modeling
- -agricultural land
- -forest land
- -staff education
- -field staff support
- -manuals

Field Operations Regions 1,3,5,7,9,11,13

-valuation and assessment of all other property

Field Operations Regions 2,4,6,8,10,12

-valuation and assessment of all other property

HISTORY OF CLASSIFICATION

Property in Montana was first placed in statutory tax classes in 1919. Seven classes were created by the Legislature. The fiscal impact was a 3-fold increase in assessed value.

Changes in tax classifications were made over the years including rate changes, movement of property between classes, and exemption of property from taxation. However, the most significant changes occurred in 1977 and 1979.

In 1977, the Legislature adopted a market value standard for valuing property and established rates for taxing the property (taxable value rates). This ended the fractional assessment of property in Montana. The 1977 legislation was designed to maintain effective tax rates for various types of property.

To maintain effective tax rates the number of classes was increased from 11 to 18. In addition, two more classes were created in 1977 bringing the total to 20.

The Legislature was concerned with the large number of classes. They provided for an interim study of classifications and the reasons for grouping types of property. As a result of the study, legislation was introduced and passed in 1979 grouping like property into the same class and reducing the classes from 20 to 10.

Through the 1980's the number of classes doubled returning to the 1977 grouping level of 20. Also, the property tax on several properties was replaced by fees.

The 1991 Legislature provided tax rate reductions to certain types of personal property. It then reduced the number of tax classes to 12 by combining those tax classes with similar property types and tax rates.

The 1993 Legislature reduced the number of tax classes to 11 by combining Class 11 (1 acre homesites) with Class 4 (land and improvements).

The 1995 Legislature did not make any changes to classification.

The 1993 Legislature passed a bill consolidating the existing 12 property classes into 11. The revised property classification system is as follows (taxable value percentage is in parenthesis):

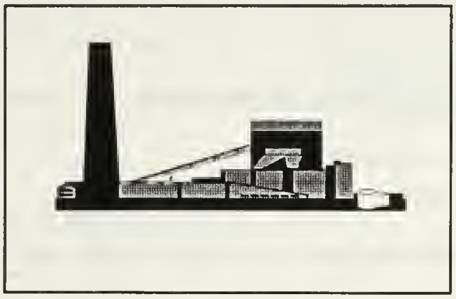
Class 1	Net proceeds of all mines and mining claims except coal and metal mines (100%)
Class 2	Gross proceeds of metal mines (3%)
Class 3	Agricultural land (3.86% of productive capacity) Nonproductive patented mining claims (3.86% of productive capacity as grazing land) Nonagricultural land 20 acres or more but under 160 acres (27.02% of productive capacity as grazing land)
Class 4	Residential, commercial, and industrial land and improvements (3.86%) Golf courses (1.93%) Idle agricultural and timber processing property (3.86%) Mobile homes (3.86%) 1-Acre homesites (3.86%)
Class 5	Air and water pollution control equipment (3%) Rural electric and telephone cooperatives (3%) Real and personal property of "new industry" (3%) Machinery and equipment used in electrolytic reduction facilities (3%) Real and personal property of research and development firms (3%) Real and personal property used to produce gasohol (3%)
Class 6	Livestock (4%) Rental or lease equipment valued at less than $5,000 (4%) Machinery and equipment used in canola seed oil processing facilities (4%)
Class 7	Qualifying independent telephone and electric cooperatives (8%)
Class 8	Business personal property (9% in 1995; 8% in 1996; 7% in 1997; 6% in 1998)
Class 9	Real & personal property of utilities, telecommunication companies and pipelines (12%)
Class 10	Forest land (0.79% beginning in tax year 1994)
Class 11	Repealed. Sec. 9, Chapter 267, L. 1993
Class 12	Real and personal property of railroads, railroad car companies, and airlines (6.76% for tax year 1996).

A more detailed description of the property included in the above classes follows:

CLASS ONE (15-6-131, MCA) 100% of Annual Net Proceeds

Includes the annual net proceeds of all mines and mining claims except coal and metal mines.

Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed.



Class 4
382,000 residential properties
68,000 commercial property

CLASS TWO (15-6-132, MCA) 3% of Annual Gross Proceeds

Includes the annual gross proceeds of metal mines.

Class two property is taxed at 3% of its annual gross proceeds.

CLASS THREE (15-6-133, MCA) 3.86% of Productive Capacities

Reflects the agricultural class changes that are effective for 1997.

Agricultural land and nonproductive patented mining claims
The property is appraised by the local appraisal office. The productive capacity of the land is based on the ability to produce net farm income.

There are five classifications of agricultural land:
1. Continuously cropped tillable / non-irrigated farmland.
2. Fallow tillable / non-irrigated farmland.
3. Irrigated tillable farmland.
4. Continuously cropped hay land (wild hay).
5. Grazing land.

Given a 300 acre field, tillable fallow / non-irrigated farmland. Average yield is 25 bushels of wheat per acre.

(300 acres @ $187.10 per acre)
$56,130 = Market Value

$56,130 X 3.86% = $2,167
Market X Taxable percentage = Taxable Value

$2,167 X 400 mills = $866.80
Taxable X Mills = Taxes

Nonagricultural land 20 acres or more but less than 160 acres. The property is appraised by the

local appraisal office. The value of the land is based on its productive capacity as grazing land. The taxable value is computed by multiplying that value by a tax rate of 27.02%.

Given a 100 acre parcel that is not eligible for valuation, assessment and taxation as agricultural land.

(100 acres @ $39.84 per acre)
$3,984 = Market Value

$3,984 x 27.02% = $1,076
Market x Taxable Percentage = Taxable Value

$1,076 x 400 Mills = $430.40
Taxable x Mills = Taxes

For a detailed explanation on agricultural land valuation, refer to the section starting on page 97.

CLASS FOUR (15-6-134, MCA) 3.86% of Market Value

All land and improvements (except those specifically included in another class). The property is appraised by the local appraisal office (except large industrial property).

This includes residential, commercial, and industrial land and improvements (3.86%); idle agricultural and timber processing property (3.86%); mobile homes (3.86%); 1-acre homesites located on non-qualified agricultural land and forest land (3.86%); and golf courses (1.93%).

Market value of land and improvements is calculated using the cost, income and market approaches by the county appraisal office.

$75,000 = Market Value

$75,000 x 3.86% = $2,895
Market x Taxable percentage = Taxable Value

$2,895 x .400 mills = $1,158.00
Taxable x Mills = Taxes

For qualifying low income property owners, an adjustment is made to the taxable value of the property. The adjustment is based on the amount of their annual income. For additional detail, see page 86.

CLASS FIVE (15-6-135, MCA) 3% of Market Value

Includes:

1. Approved air and water pollution control equipment,
2. All property used and owned by rural electric and telephone cooperatives,
3. Real and personal property of "new industry",
4. Machinery and equipment used in electrolytic reduction facilities,
5. All qualifying property owned by a research and development firm,
6. Any property used primarily in the production of gasohol (first 3 years).

The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 3 percent.

CLASS SIX (15-6-136, MCA) 4% of Market Value

Includes:

1. Livestock and other species of domestic animals and wildlife raised in domestication,
2. Rental or lease equipment valued at less than $5,000,
3. Machinery and equipment used in a canola seed oil processing facilities.

The market value of livestock is determined by an analysis of average market prices throughout a given area. Livestock also is charged a per capita tax that is used in funding for the Department of Livestock.

Saddle Horse

$948 = Market Value

$948 x 4% = $38
Market x Taxable percentage = Taxable Value

$38 x 400 mills = $15.20
Taxable x Mills = Taxes

Per Capita Tax = $2.00

CLASS SEVEN (15-6-137,MCA) 8% of Market Value

Qualifying independent telephone and electric cooperatives

The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 8 percent.

CLASS EIGHT (15-6-138, MCA) 9% of Market Value in 1995; 8% in 1996; 7% in 1997; 6% in 1998

Business personal property.

The market value for machinery and equipment is usually determined through use of the "Green Guide" manual or by applying a percent good factor to the F.O.B. or acquired cost.

Forklift acquired in 1984 (25% good)

Acquired Cost - $20,000
Tax Year 1996

$5,000 = Market Value
(Acquired Cost x Percent Good)

$5,000 X 8% = $400
Market Value x Taxable Percentage = Taxable Value

$400 x 400 mills = $160
Taxable Value x Mills = Taxes

The 1995 Legislature passed Senate Bill 417 which provided for the progressive reduction in the tax rate from 9% in 1995 to 6% in 1998.

CLASS NINE (15-6-141, MCA) 12% of Market Value

All real and personal property owned and used by centrally assessed companies (Electric, Telecommunication, and Pipeline).

Centrally assessed companies are valued by staff appraisers in Helena by a method referred to as the "unit approach to value." The appraiser determines a system value for the company, allocates a portion to the state

and then apportions values to the counties where the property is located.

Three indicators are typically used to determine the system value of the company: Cost, Income and Market.

The indicators are then correlated to arrive at a system value.

The Department determines an allocated value to the state (that portion of the correlated system value which belongs to Montana).

The Department then apportions the allocated Montana value to the counties where the property is located.

Centrally Assessed Example:

Given:	System Cost Indicator		=	$1,100,000
	System Income Indicator		=	$ 900,000
	System Market Indicator		=	$1,000,000
	System Correlated Value		=	$1,000,000
	Montana Allocation	=	25%	
	Montana Allocated Value		=	$250,000
	Taxable Percentage	=	12%	
	Taxable Value	=	$30,000	
	Average Mill	=	400	
	Taxes	=	$12,000	

CLASS TEN (15-6-143, MCA) 0.79% of Productive Capacity

Forest lands (contiguous land of 15 acres or more in one ownership that is capable of producing timber that can be harvested in commercial quantity).

Forest land is valued on the basis of its ability to produce timber, other associated products, and associated agricultural products through an income approach as defined in 15-44-103. For a more detailed explanation, refer to the section on forest taxation beginning on page 93.

CLASS ELEVEN (Previously 15-6-144, MCA) Repealed. See 9, Chapter 267, L. 1993

Combined into Class 4

CLASS TWELVE (15-6-145, MCA) Taxable Percentage "R" Determined Annually

All railroad transportation property as described in the Railroad Revitalization and Regulatory Reform Act (4R Act).

All airline transportation property as described in the Tax Equity and Fiscal Responsibility Act (TEFRA). This property is valued by Helena staff utilizing the same valuation procedures as used for Class Nine property. The taxable percentage "R" for 1996 was 6.76%.

The taxable percentage (R) is determined by finding the effective taxable percentage for all other commercial property in the state.

R = (A x M)/B where

A = total statewide taxable value of all commercial property, except class 12 property.

B = total statewide market value of all commercial property, except Class 12 property.

M =value weighted mean sales assessment ratio for all commercial property.

OTHER TYPES OF PROPERTY

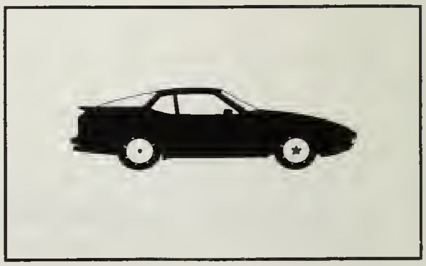
Automobiles and trucks having a capacity of 1 ton or less are not classified in the property classes. They are valued under MCA 61-3-503. The market value is usually determined by using the average trade-in value as found in the NADA guides. The taxes are calculated by multiplying the market value times 2 percent. The county may also levy an additional .5 percent local option vehicle tax.

$9,600 = Market Value
NADA average trade in

$9,600 X 2% = $192
Market X percent = Tax

The following types of property are subject to a fee in lieu of property tax:

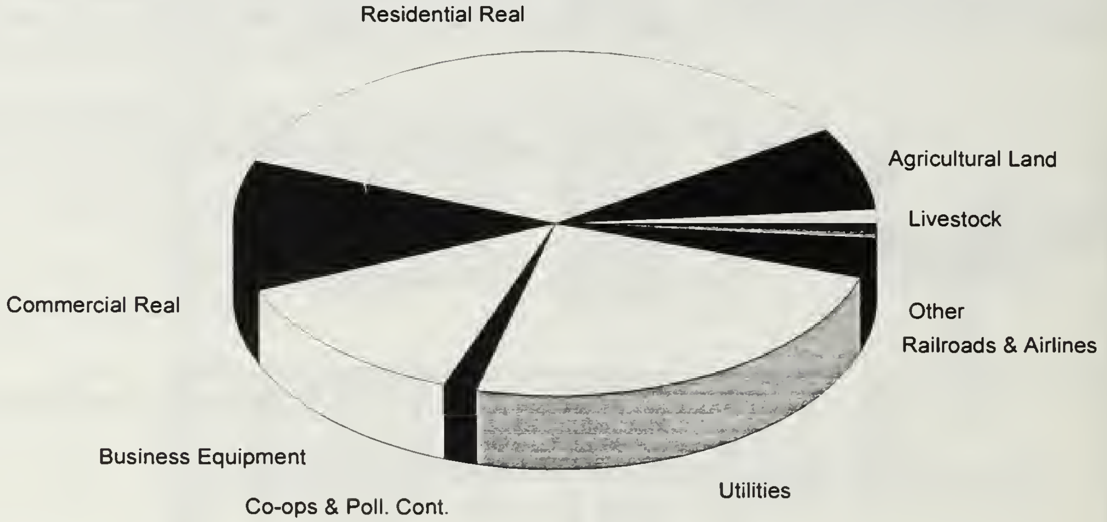
- Campers
- Motor homes
- Boats
- Airplanes (not in Class Nine)
- Off road vehicles
- Travel trailers
- Motorcycles



Taxable Value Comparison
Fiscal Year 1996 with Fiscal Year 1997

		Taxable Value		Change in Taxable Value	
Class	Description	FY 1996	FY 1997	Dollar	Percent
1	Net Proceeds	4,016,317	4,558,295	541,978	13.5%
2	Gross Proceeds	9,235,225	12,194,387	2,959,162	32.0%
3	Agricultural Land	143,358,237	144,153,170	794,933	0.6%
4	Class 4				
	Residential Real	634,292,137	655,046,513	20,754,376	3.3%
	Commercial Real	222,102,000	229,273,374	7,171,374	3.2%
	Class 4 Subtotal	*856,394,137*	*884,319,887*	*27,925,750*	*3.3%*
5	Co-ops, Pollution Control, New Industry	29,395,172	31,732,438	2,337,266	8.0%
6	Livestock	27,662,522	24,512,945	(3,149,577)	-11.4%
7	Independent Telephone	1,670,427	1,750,823	80,396	4.8%
8	Business Equipment	269,081,886	241,529,113	(27,552,773)	-10.2%
9	Utilities	427,834,515	446,457,343	18,622,828	4.4%
10	Timber Land	7,305,759	7,290,671	(15,088)	-0.2%
12	Railroads and Airlines	62,382,767	69,120,140	6,737,373	10.8%
	TOTAL	**1,838,336,965**	**1,867,619,212**	**29,282,247**	**1.6%**

FY97 Property Base
Percent of Statewide Taxable Value



1996 Statewide Taxable Values

Class Description	Taxable Value	Percent of Total	Class
Livestock	$24,512,945	1.31%	6
Agricultural Land	$144,153,170	7.72%	3
Residential Real	$655,046,513	35.07%	4
Commercial Real	$229,273,374	12.28%	4
Business Equipment	$241,529,113	12.93%	8
Co-ops & Pollution Control	$31,732,438	1.70%	5
Utilities	$446,457,343	23.91%	9
Railroads & Airlines	$69,120,140	3.70%	12
Other	$25,794,176	1.38%	1, 2, 7, 10
Total	**$1,867,619,212**		

Taxable Value By County, By Property Class - Tax Year 1996

County	Class 1	Class 2	Class 3	Class 4 Residential	Class 4 Commercial	Total Class 4	Class 5
Beaverhead	$24,520	$0	$2,810,211	$6,141,241	$1,674,151	$7,815,392	$321,606
Big Horn	0	0	3,573,390	3,406,488	4,058,455	7,464,943	436,549
Blaine	0	0	4,064,301	2,565,765	620,017	3,185,782	261,699
Broadwater	139,494	347	1,123,964	2,326,954	613,267	2,940,221	93,005
Carbon	97,891	0	2,285,884	8,666,736	1,575,871	10,242,607	132,146
Carter	1,870,036	0	2,062,660	762,417	62,579	824,996	81,097
Cascade	0	0	5,114,697	53,151,144	21,821,954	74,973,098	402,602
Chouteau	0	0	10,438,052	3,745,984	692,626	4,438,610	291,781
Custer	0	0	2,530,824	5,751,391	2,090,686	7,842,077	144,339
Daniels	0	0	2,416,761	1,342,576	252,449	1,595,025	196,245
Dawson	0	0	3,283,991	4,432,164	1,279,589	5,711,753	291,035
Deer Lodge	0	0	372,461	4,796,377	1,583,154	6,379,531	133,754
Fallon	0	0	1,451,795	1,510,400	458,826	1,969,226	141,052
Fergus	0	201,560	5,910,899	6,832,650	1,743,963	8,576,613	364,982
Flathead	0	0	1,586,367	82,792,952	24,396,588	107,189,540	1,854,589
Gallatin	128,948	0	2,819,358	58,417,825	18,673,670	77,091,495	292,283
Garfield	0	0	3,170,515	871,425	97,394	968,819	129,146
Glacier	0	0	2,819,998	3,545,763	1,798,248	5,344,011	697,047
Golden Valley	0	0	1,212,508	577,836	58,240	636,076	88,656
Granite	0	0	676,191	2,362,269	324,720	2,686,989	17,199
Hill	0	0	6,653,814	9,598,821	3,537,472	13,136,293	448,055
Jefferson	0	2,525,587	854,573	7,088,782	1,558,598	8,647,380	363,779
Judith Basin	9,000	0	3,017,507	1,534,582	233,610	1,768,192	90,095
Lake	0	0	1,404,220	29,225,714	3,470,240	32,695,954	169,271
Lewis And Clark	0	0	1,869,736	40,061,628	15,396,763	55,458,391	773,656
Liberty	0	0	3,502,306	1,810,891	327,892	2,138,783	113,322
Lincoln	0	0	239,800	13,084,403	2,963,384	16,047,787	768,262
Madison	2,287,810	2,315	2,406,703	9,403,370	1,830,602	11,233,972	332,935
McCone	0	0	3,526,530	1,458,543	207,153	1,665,696	259,429
Meagher	0	1,814	1,535,294	1,630,947	240,497	1,871,444	11,736
Mineral	0	0	84,955	2,307,126	708,267	3,015,393	26,962
Missoula	596	0	534,408	68,284,879	35,252,697	103,537,576	1,037,780
Musselshell	0	0	1,697,870	2,195,611	458,767	2,654,378	331,500
Park	0	398,192	1,710,374	12,171,372	3,889,310	16,060,682	321,797
Petroleum	0	0	967,374	285,170	34,684	319,854	110,267
Phillips	0	1,349,831	3,809,927	2,682,825	755,560	3,438,385	251,488
Pondera	0	0	4,377,799	3,476,191	1,073,701	4,549,892	314,707
Powder River	0	0	1,954,127	1,121,945	197,960	1,319,905	274,393
Powell	0	0	1,209,260	3,815,522	745,612	4,561,134	141,970
Prairie	0	0	1,211,567	630,932	100,423	731,355	82,131
Ravalli	0	1,025	1,116,569	29,092,849	5,169,039	34,261,888	666,313
Richland	0	0	3,829,835	5,481,206	2,149,511	7,630,717	540,060
Roosevelt	0	0	3,687,972	3,071,236	1,061,532	4,132,768	259,319
Rosebud	0	0	3,191,820	3,385,829	2,343,862	5,729,691	9,856,406
Sanders	0	0	644,464	6,831,814	1,186,095	8,017,909	122,568
Sheridan	0	0	3,523,937	2,488,750	687,890	3,176,640	210,901
Silver Bow	0	6,219,344	366,429	21,041,007	10,678,639	31,719,646	67,222
Stillwater	0	1,494,372	2,398,204	6,373,472	1,191,691	7,565,163	220,389
Sweet Grass	0	0	1,434,241	2,474,522	572,993	3,047,515	196,631
Teton	0	0	4,826,822	3,736,639	861,688	4,598,327	539,832
Toole	0	0	4,696,377	3,067,545	1,197,673	4,265,218	329,456
Treasure	0	0	875,639	390,578	75,851	466,429	108,356
Valley	0	0	4,789,912	4,934,479	1,608,388	6,542,867	339,384
Wheatland	0	0	1,454,059	1,114,477	203,669	1,318,146	29,943
Wibaux	0	0	1,182,191	628,432	101,510	729,942	70,139
Yellowstone	0	0	3,841,728	95,064,067	43,323,704	138,387,771	5,581,172
Total	$4,558,295	$12,194,387	$144,153,170	$655,046,513	$229,273,374	$884,319,887	$31,732,438

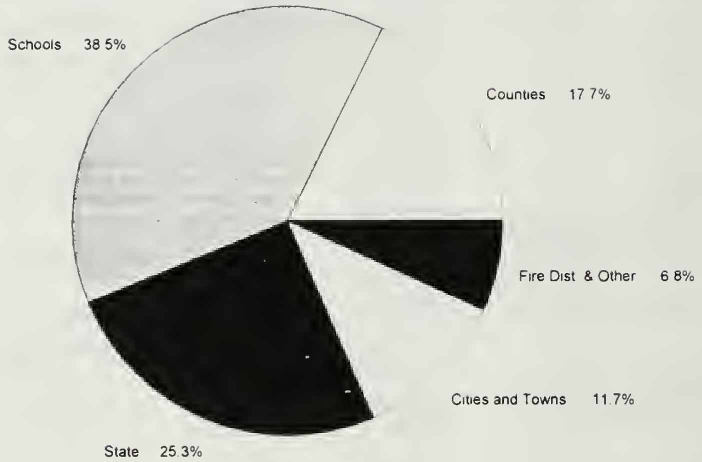
Taxable Value By County, By Property Class - Tax Year 1996 (continued)

County	Class 6	Class 7	Class 8	Class 9	Class 10	Class 12	Total
Beaverhead	$1,274,563	$233,467	$3,425,768	$1,619,379	$29,044	$481,433	$18,035,383
Big Horn	934,051	502,389	9,226,244	3,711,482	27,228	1,366,193	27,242,469
Blaine	628,742	0	2,015,191	3,291,553	1,085	1,313,247	14,761,600
Broadwater	259,940	0	2,131,338	3,829,108	38,759	829,581	11,385,757
Carbon	499,867	145,782	1,982,810	4,723,262	4,816	705,180	20,820,245
Carter	656,502	0	971,111	719,560	7,845	0	7,193,807
Cascade	723,913	0	9,106,115	17,801,401	52,596	2,969,737	111,144,159
Chouteau	451,389	0	4,329,883	2,957,772	6,150	530,654	23,444,291
Custer	623,608	0	1,998,834	2,679,062	13,714	1,149,974	16,982,432
Daniels	155,015	0	1,477,516	191,284	0	280,029	6,311,875
Dawson	429,763	0	2,441,623	3,698,377	0	2,390,382	18,246,924
Deer Lodge	68,243	31,064	692,503	2,115,460	112,008	64,075	9,969,099
Fallon	393,466	0	2,838,861	3,935,499	217	520,751	11,250,867
Fergus	1,117,898	0	3,770,674	2,437,570	46,755	447,507	22,874,458
Flathead	313,576	0	15,880,211	13,806,382	1,360,835	3,495,655	145,487,155
Gallatin	590,395	0	11,691,766	12,120,380	295,242	2,394,631	107,424,498
Garfield	686,302	0	1,027,495	0	165	0	5,982,442
Glacier	229,433	8,376	2,439,105	8,661,058	3,606	1,635,189	21,837,823
Golden Valley	227,330	0	408,247	2,497,890	4,220	491,434	5,566,361
Granite	277,323	0	890,578	3,358,845	261,599	1,062,702	9,231,426
Hill	275,262	0	4,416,517	3,238,526	2,279	3,167,278	31,338,024
Jefferson	238,898	0	6,790,392	4,853,604	39,162	988,908	25,302,283
Judith Basin	556,960	0	1,164,100	3,978,517	5,904	1,100,458	11,690,733
Lake	502,908	8,839	3,483,858	4,549,024	233,488	822,843	43,870,405
Lewis And Clark	372,814	0	7,953,896	15,219,413	207,832	2,148,768	84,004,506
Liberty	143,247	0	1,922,334	1,168,830	0	630,772	9,619,594
Lincoln	93,412	0	4,122,923	2,982,244	1,226,653	2,976,088	28,457,169
Madison	773,210	0	3,685,678	3,676,959	110,140	761,449	25,271,171
McCone	369,329	0	1,770,968	148,539	0	193,853	7,934,344
Meagher	502,784	0	789,016	3,958,846	148,894	0	8,819,828
Mineral	24,356	0	550,487	3,738,002	195,802	1,011,959	8,647,916
Missoula	244,619	0	21,719,333	17,508,222	1,043,020	3,136,591	148,762,145
Musselshell	387,517	0	1,225,479	1,319,642	56,132	0	7,672,518
Park	519,418	0	3,572,663	5,309,777	215,610	1,057,436	29,165,949
Petroleum	304,673	0	456,512	0	803	0	2,159,483
Phillips	742,047	0	3,575,373	5,999,006	475	1,242,538	20,409,070
Pondera	278,167	0	2,688,428	3,274,026	1,635	760,428	16,245,082
Powder River	709,684	0	1,427,400	245,023	6,326	0	5,936,858
Powell	402,507	0	1,378,444	4,189,475	417,818	1,051,074	13,351,682
Prairie	341,468	0	709,380	413,894	158	1,125,342	4,615,295
Ravalli	515,395	0	3,417,968	4,025,969	168,388	880,142	45,053,657
Richland	352,465	0	5,186,274	2,772,770	0	622,090	20,934,211
Roosevelt	230,529	0	3,058,263	13,113,246	0	2,532,307	27,014,404
Rosebud	695,260	0	10,825,193	145,476,019	16,456	1,596,416	177,387,261
Sanders	203,536	51,822	1,670,378	21,217,124	809,391	2,783,784	35,520,976
Sheridan	242,284	0	3,123,555	649,253	0	615,848	11,542,418
Silver Bow	77,598	29,685	7,069,287	12,245,542	22,492	641,732	58,458,977
Stillwater	472,776	348,174	5,268,583	6,928,467	24,584	748,136	25,468,848
Sweet Grass	507,186	0	1,008,629	1,786,509	31,692	741,140	8,753,543
Teton	581,997	0	2,460,895	1,872,872	17,574	1,036,062	15,934,381
Toole	197,128	0	3,305,017	3,354,649	0	1,813,172	17,961,017
Treasure	230,529	0	488,224	1,748,365	5,121	995,314	4,917,977
Valley	587,404	0	2,912,746	10,586,284	0	1,838,825	27,597,422
Wheatland	382,372	0	864,575	5,226,137	4,973	377,910	9,658,115
Wibaux	194,346	0	1,120,221	574,891	0	392,911	4,264,641
Yellowstone	717,541	391,225	37,600,251	34,952,353	11,985	7,200,212	228,684,238
Total	$24,512,945	$1,750,823	$241,529,113	$446,457,343	$7,290,671	$69,120,140	$1,867,619,212

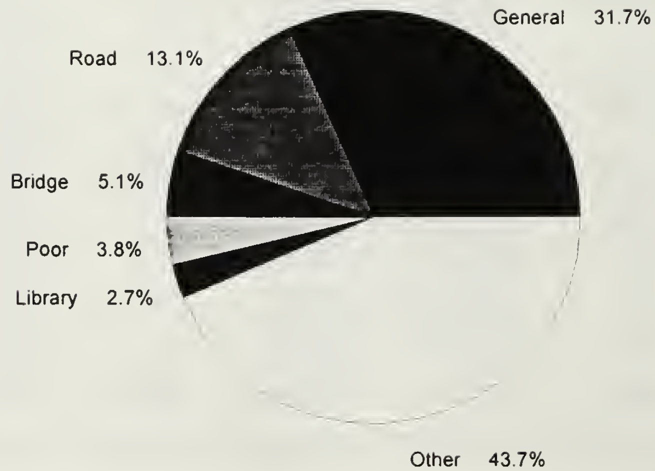
TAXABLE VALUE AND ESTIMATED TAXES LEVIED BY PROPERTY CLASS - FISCAL YEAR 1997

Class	Description	Taxable Value	Estimated Taxes Levied
1	Net Proceeds	$4,558,295	$1,414,905
2	Gross Proceeds	12,194,387	4,634,519
3	Ag Land	144,153,170	49,540,084
4	Class 4		
	Residential	655,046,513	264,795,838
	Commercial	229,273,374	99,196,382
	SID's (Special Improvement Districts)		33,898,869
	Subtotal Class 4	884,319,887	397,891,089
5	Co-ops, Poll. Control	31,732,438	9,457,974
6	Livestock	24,512,945	8,293,114
7	Independent Telephone	1,750,823	552,428
8	Business Equipment	241,529,113	88,457,821
9	Utilities	446,457,343	133,912,469
10	Timber Land	7,290,671	2,556,699
12	Railroads and Airlines	69,120,140	24,587,329
	Total	**$1,867,619,212**	**$721,298,432**
	Taxes Paid to Miscellaneous Districts		52,934,392
	Grand Total of Property Taxes Paid For All Purposes		$774,232,824

Distribution of Property Taxes Levied in 1996



Distribution of County Property Taxes Levied in 1996



Taxes Levied in Montana 1995 - 1996

	1995	1996
Market Valuation	$36,387,247,261	$37,720,655,146
Taxable Valuation	$1,838,336,965	$1,867,619,212
State		
University	$11,112,140	$11,256,531
School Equalization	175,942,213	178,228,415
State Assumption of Welfare	6,368,241	6,507,964
Subtotal	$193,422,594	$195,992,910
County		
General	$42,637,815	$43,432,852
Road	17,498,647	17,904,928
Bridge	6,402,381	6,968,523
Poor	4,732,465	5,140,808
Bond Interest	358,180	211,346
County Fair	2,016,338	2,071,970
Library	3,381,235	3,651,753
Agricultural Extension	1,873,637	2,048,370
Planning	781,219	913,091
Health and Sanitation	2,095,172	2,323,375
Hospital	1,305,605	1,374,607
Airport	1,068,120	1,053,370
Other	44,930,731	49,737,620
Subtotal	$129,081,545	$136,832,613
Local Schools		
Elementary	$153,254,264	$164,984,769
High School	123,042,936	129,483,054
Vo-tech and Jr. College	4,121,192	4,198,859
Subtotal	$280,418,392	$298,666,682
Miscellaneous Districts		
Fire	$13,310,420	$14,191,841
Other	37,521,914	38,742,552
Subtotal	$50,832,334	$52,934,393
Total Except Cities and Towns	$653,754,865	$684,426,598
Cities and Towns		
General	$53,015,596	$56,618,476
Special Improvements	32,590,732	33,898,869
Subtotal	$85,606,328	$90,517,345
Grand Total All Taxes	**$739,361,193**	**$774,943,943**

Residential Property Tax Rates

Largest City in Each State
Northwest United States, 1994

Rank	City	State	Assessment Level	Effective Rate Per $100 Market Value
1	Sioux Falls	South Dakota	95.1%	$2.55
2	Portland	Oregon	100.0%	$2.47
3	Fargo	North Dakota	4.5%	$2.01
4	Boise	Idaho	94.8%	$1.88
5	**Billings**	**Montana**	**3.9%**	**$1.61**
6	Salt Lake City	Utah	70.6%	$1.36
7	Seattle	Washington	91.1%	$0.96
8	Cheyenne	Wyoming	9.5%	$0.74

SOURCE: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison

BUSINESS PROPERTY TAX INCENTIVES

Property tax incentives can generally be divided into two categories: property tax abatements and local option property tax exemptions. Property tax abatements result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value. Local option property tax exemptions exclude part or all of the entire value of property from taxation. A third type of incentive available is the suspension and cancellation of delinquent property taxes to facilitate the purchase and continued operation of a business.

PROPERTY TAX ABATEMENTS

New Industry (State Determined)
New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% [normally 3.86% for real property and 7% for personal property in 1997 (6% for 1998 and thereafter)] for the first three years of operation. (15-6-135(1)(e), MCA)

New or Expanding Industries (Local Option)
If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion. (Title 15, Chapter 24, Section 14)

Remodeling/Expansion of Existing Buildings (Local Option)
If approved by the local governing body, remodeling, reconstruction or expansion of existing buildings or structures may qualify for a reduced tax rate for five years following construction. (Title 15, Chapter 24, Section 15)

Expanding "Value-Added" Machinery and Equipment (State Determined, Local Option)
If approved by the local governing bodies, an existing value added industry that expands to include value-added equipment is entitled to receive a decrease in the tax rate and the value-added machinery and equipment.

Research and Development (State Determined)
Property devoted to research and development is eligible for a reduced taxable valuation rate of 3% [normally 3.86% for real property and 7% for personal property in 1997 (6% for 1998 and thereafter)]. (15-6-135(1)(e), MCA)

Pollution Control Property (State Determined)
Air and water pollution control property is eligible for a reduced taxable valuation rate of 3% [normally 3.86% for real property and 7% for personal property in 1997 (6% for 1998 and thereafter)]. (15-6-135(1)(b) and 15-6-135(2)(a), MCA)

Gasohol Producing Property (State Determined)
Property used to produce gasohol is eligible for a reduced taxable valuation rate of 3% [normally 3.86% for real property and 7% for personal property in 1997 (6% for 1998 and thereafter)]. (15-6-135(1)(d), MCA)

Electrolytic Reduction Equipment (State Determined)
Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3% (normally 7% for 1997 for personal property and 6% for 1998 and thereafter). (15-6-135(1)(f), MCA)

Canola Seed Oil Processing Equipment (State Determined)
Machinery used in canola seed oil processing is eligible for a taxable valuation rate of 4% (normally 7% for 1997 for personal property and 6% for 1998 and thereafter). (15-6-136(1)(c), MCA)

LOCAL OPTION PROPERTY TAX EXEMPTIONS

Exemption for Business Incubators (Local Option)
If approved by the local governing body, a business incubator owned or leased and operated by a local economic development organization is eligible for an exemption from property taxes. (Title 15, Chapter 24, Section 18)

Industrial Parks (Local Option)
If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes. (Title 15, Chapter 24, Section 19)

Suspension, Cancellation of Delinquent Taxes (Local Option)
If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property. (Title 15, Chapter 24, Section 17)

BUSINESS PROPERTY TAX EXEMPTIONS

Type of Exemption	Test to Qualify
Government (Federal, State, Local, School, etc.)	Ownership
Religious	Ownership & Use
Agricultural & Horticultural	Exclusive Use
Educational	Exclusive Use
Nonprofit Health Care Facilities	Exclusive Use & Nonprofit & Health Care License
Cemeteries	Ownership, Use & Nonprofit
Institutions of Purely Public Charity	Ownership & Use
Property Leased from a Federal, State, or Local Government by Institutions of Purely Public Charity & Used for those Purposes.	Lease & Use
Public Museums	Nonprofit & Use
Art Galleries	Nonprofit & Use
Zoos	Nonprofit & Use
Observatories	Nonprofit & Use
Household Goods & Furniture	Ownership & Use
Truck Canopy Cover or Topper	Less Than 300 Lbs & No Accommodations Attached
Bicycle Use & Ownership	Ownership & Use
Corp. Organized to Furnish Potable Water to its Members (Other Than Ag Irrigation)	Nonprofit & Ownership

Type of Exemption	Test to Qualify
Right of Entry	None
Corporations Providing Care for the Developmentally Disabled, Mentally Ill, or Vocationally Handicapped	Ownership, Use & Nonprofit
Corporations Operating Facilities for the Ownership, Use & Nonprofit Care of the Retired, Aged, or Chronically Ill	None
Farm Buildings	Value Less Than $500
Agricultural Implements	Value Less Than $100
Facilities Used for Training, Practice, or Competition in Int'l. Sports & Athletic Events	Nonprofit, Use & Ownership
Hand Held Tools	Use & Exempt First $15,000 Market Value
Harness, Saddlery, & Tack	None
Title Plant	Ownership
Nonfossil Energy Generation of Low Emission Wood or Biomass Combustion Devices	Recog. Form, Exempt for 10 Years Following Installation $100,000 Exempt for Multifamily Residences
Veteran's Clubhouses	Nonprofit, Use & Ownership
Freeport Merchandise & Business Inventory	Use
State Water Conservation Projects	Ownership & Use
Irrigation & Drainage Facilities	Use
Nonprocessed Agricultural Products	Ownership & Use
Beet Implements	Use
Community Services Buildings	Nonprofit, Use, Ownership & Land < 1 Acre
Down-hole Equipment in Oil & Gas Wells	None
Motion Picture & Television Commercial Property	Use & Can't be in the State for More Than 180 Days
Trailer & Semitrailers with Licensed Gross Weight of 26,000 Lbs or More	Design & Use

SPECIAL PROPERTY TAX APPLICATIONS FOR RESIDENTIAL PROPERTY

Type of Exemption	Test to Qualify
Disabled/Deceased Veterans' Residences (15-6-211, MCA)	Applies to residence and lot - owned & occupied by 100% service connected disabled veteran or veteran's spouse if deceased - subject to income limits
Class 4 Low Income Reduction (15-6-134(1)(C), MCA)	Applies to first $100,000 of market Value, land can't exceed 5 acres, house must be occupied for 7 months a year as the primary residence, subject to income limitations, and amount of reduction is based on a graduated scale that is based on income increments.
Elderly Home Owner Credit (Title 15, Chapter 30, Section 1)	A credit against Montana income tax liability is allowed for qualifying elderly homeowners and renters. The credit is provided to help offset property tax paid.

DECEASED/DISABLED VETERAN'S EXEMPTION

Residential property of certain disabled veterans, and the spouses of deceased veterans, is exempt from property taxation.

Deceased Veterans
A residence, including the lot on which it is built, that is owned by the spouse of a veteran is exempt from property taxation provided that the veteran was killed while on active duty, or died as the result of a service-connected disability.

Disabled Veterans
A residence, including the lot on which it is built, that is owned by a disabled veteran is exempt from property taxation provided that the veteran.

1. has been honorably discharged from active serviced in any branch of the armed forces;
2. is rated 100% disabled due to a service-connected disability by the U.S. Department of Veterans Affairs; and
3. has an annual adjusted gross income, as reported on the latest federal income tax return, of less than $15,000 ($18,000 if married).

LOW INCOME PROPERTY TAX ASSISTANCE PROGRAM
FORM PPB-8

Montana property owners can have their property taxes reduced if they meet certain qualifications. The form to receive the credit is filed with the County Appraisal/Assessment Office in the county where the property is located.

OWNERSHIP: The home or mobile home must be owned or under contract for deed.

RESIDENCY: The owner must occupy the dwelling for at least 7 months as their primary residence.

INCOME: The owner's total income, including otherwise tax exempt income, must not exceed $15,000 for a single person or $20,000 for a married couple. Social Security income paid to a nursing home is not considered income.

ITEMS INCLUDED IN INCOME:

1. wages, fees, bonuses, capital gains, ordinary income, interest, and dividends;
2. total income from business, partnerships, rents, royalties;
3. payments and interest on federal, state, county, and municipal bonds;
4. alimony, public assistance, unemployment, and tax refunds; and
5. all pensions and annuities, including railroad retirement, PERS, veteran's disability and social security.

APPLICATIONS: The owner must apply for the reduction before March 15 of each year.

MAILING: The PPB-8 form must be mailed or delivered to the County Appraisal/Assessment Office at your Courthouse.

QUESTIONS: Telephone your County Appraisal/Assessment Office or the Property Assessment Division in Helena at 444-2500.

COMPUTATION: The reduction is determined using the property owner's total income including the spouses income. The tax rate applied to the market value of the property is reduced depending on the owner's income.
INCOME TABLE:

1996 TAXABLE VALUE RATE TABLE FOR LOW INCOME PROPERTY TAX ASSISTANCE REDUCTION

Single Person	Married Couple	Percent Multiplier
$0 - $ 6,000	$0 - $ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

EXAMPLE:

Market Value (appraised value) of the home = $75,000

Income for a married couple living in town = $6,580

$2,895 (taxable) x .400 (local mill levy) = $1,158 (property tax)

DETERMINATION OF PROPERTY TAX

WITHOUT REDUCTION
$75,000 (market value) x 3.86% = $2,895 (taxable)

WITH REDUCTION
$75,000 (market value) x (3.86% X 20% = .772%) (see table) = $579 (taxable)
$579 (taxable) x .400 (local mill levy) = $231.60 (property tax)

LOW INCOME PROPERTY TAX ASSISTANCE APPLICATIONS APPROVED 1996 - 10,171

County	Applications Approved	County	Applications Approved
Beaverhead	100	McCone	18
Big Horn	70	Meagher	49
Blaine	52	Mineral	110
Broadwater	66	Missoula	775
Carbon	175	Musselshell	54
Carter	13	Park	168
Cascade	768	Petroleum	5
Chouteau	36	Phillips	104
Custer	167	Pondera	75
Daniels	21	Powder River	10
Dawson	93	Powell	125
Deer Lodge	189	Prairie	19
Fallon	32	Ravalli	763
Fergus	144	Richland	110
Flathead	1018	Roosevelt	47
Gallatin	241	Rosebud	48
Garfield	6	Sanders	325
Glacier	117	Sheridan	46
Golden Valley	9	Silver Bow	814
Granite	57	Stillwater	83
Hill	172	Sweet Grass	70
Jefferson	114	Teton	63
Judith Basin	18	Toole	50
Lake	405	Treasure	5
Lewis & Clark	300	Valley	89
Liberty	12	Wheatland	32
Lincoln	493	Wibaux	9
Madison	70	Yellowstone	1,147

ELDERLY HOMEOWNER/RENTER CREDIT
(Circuit Breaker)
15-30-171 thru 15-30-179, MCA

How the Program Works
The circuit breaker provides tax relief to specific homeowners based on the relationship between the homeowner's property tax and income. (In the case of renters, the property tax equivalent is defined to be 15% of the gross rent paid during the tax year.)

Due to the inter-relationship between property tax and income levels, certain property owners (renters) will not be eligible to receive any benefit from this program. Generally, these are individuals whose property values or rents are low in relation to their income. To understand this fully, it is necessary to understand how the circuit breaker program works. This section discusses the credit as it applies to a homeowner, but the same principles also apply to renters.
The amount of credit allowed is equal to the amount of property tax paid less a deduction:

Credit = Property Tax Paid - Deduction

The amount of the deduction is equal to a specific percentage of "household income". These percentages are set in statute, and increase as household income increases in accordance with the following schedule:

Household Income			Amount of Deduction
$0	-	999	$0
1,000	-	1,999	$0
2,000	-	2,999	the product of .006 times the household income
3,000	-	3,999	the product of .016 times the household income
4,000	-	4,999	the product of .024 times the household income
5,000	-	5,999	the product of .028 times the household income
6,000	-	6,999	the product of .032 times the household income
7,000	-	7,999	the product of .035 times the household income
8,000	-	8,999	the product of .039 times the household income
9,000	-	9,999	the product of .042 times the household income
10,000	-	10,999	the product of .045 times the household income
11,000	-	11,999	the product of .048 times the household income
$12,000	&	over	the product of .050 times the household income

"Household income", as used in this table is equal to "gross household income" less $4,000 or 50% of retirement benefits, whichever is greater. Gross household income is all income of all individuals in the household, and includes federal adjusted gross income plus all nontaxable income as defined in statute. Also, in no case may the amount of the credit exceed $1,000.

A specific example should help clarify how this program works. Assume the taxpayer lives in a house valued at $75,000 and a mill levy of 400. The taxpayer has $15,500 of total income. Based on these assumptions, this individual is entitled to a credit equal to $293.34, calculated as follows:

Market value	$75,000
Taxable value rate	.0386
Taxable value	$2,895
Mill levy	.400
Property tax	$1,158
Gross income	$15,500
Exclusion	$(4,000)
Household income	$11,500
Deduction factor	.048
Deduction	$552
Credit ($1158 - 552)	$606

As discussed earlier, certain individuals will not be eligible for the credit depending on the relationship of their property tax to their income. In the above example, individuals with the same property tax but whose incomes exceed $27,160 would not be entitled to any credit, because the calculation of the deduction amount would exceed the property tax paid.

Current Use of Program

Data retrieval systems within the individual income tax division show the following information regarding use of this program for the past six years:

Year	Claimants	Total Credit	Average Credit
1990	16,490	$ 3,586,692	$ 217
1991	17,294	$ 4,091,665	$ 237
1992	18,234	$ 4,522,814	$ 248
1993	19,079	$ 5,068,179	$ 266
1994	21,346	$ 5,819,413	$ 273
1995	21,859	$ 7,968,802	$ 365

ELDERLY HOMEOWNER/RENTER CREDIT
(1996 TAX YEAR)
FORM 2EC

Taxpayers can receive a maximum $1,000 refundable credit for paying property taxes or rent. The form to receive this credit can be filed with the income tax return or by itself if a tax return is not required to be filed.

AGE
The taxpayer or spouse must be age 62 or older as of December 31 of the previous year.

RESIDENCY
1. Taxpayer must have resided in Montana for 9 months or more, and

2. must have occupied a Montana residence as owner or renter for a total of 6 months during the previous year.

FILING INFORMATION
Form 2EC can be filed (1) by itself, if the individual is not required to file a tax return or (2) with the Montana income tax return.

Only one claim per household may be filed.

DUE DATE
Form 2EC must be submitted on or before April 15.

If Form 2EC is filed late, a letter stating the reason for being late must be attached. If there is good reason for the late filing, the claim will be accepted. Claims filed more than 5 years late will not be accepted.

MAILING ADDRESS
Income Tax Division
P.O. Box 6577
Helena, MT 59604-6577

QUESTIONS
Telephone 444-3674.

COMPUTATION
The credit is computed using household income and general property taxes paid on residence and land or rent paid in the previous year.

HOUSEHOLD
An association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations and expenses. It does not include bona fide lessees, tenants, or roomers and boarders on contract.

HOUSEHOLD INCOME
Includes total income, whether taxable or not, received by all individuals of a household while they are members of the household. Total income is reduced by the greater of $4000 or 50% of total retirement benefits to arrive at household income. Income (such as social security) paid directly to a nursing home by an agency is not considered income. Losses cannot be included with income.

EXAMPLES

1. Wages, fees, bonuses, capital gains, ordinary income, interest, & dividends.
2. Total income for business, partnerships, rents, royalties, etc.
3. Payments and interest on federal, state, county & municipal bonds.
4. Alimony, public assistance, unemployment, & tax refunds.
5. All pensions & annuities, including railroad retirement, PERS, veteran's disability & social security.

NET ALLOWABLE HOUSEHOLD INCOME
Computed by multiplying household income by a multiplier figure provided on Form 2EC.

If net allowable household income is less than allowable property tax and/or rent paid, the individual will receive a refund for the difference, not to exceed $1,000.

GENERAL PROPERTY TAXES
The general ad valorem taxes levied against the house and surrounding land, not in excess of one acre, exclusive of special assessments, penalties, or interest and paid during the claim period. General property taxes differ from county to county.

SPECIAL ASSESSMENTS
Includes: transit fees, city assessment, sprinkling, sanitation, maintenance fees, garbage, landfill, storm sewer, paving, lighting, irrigation, water system, sweeping, T.V. district, predator or mosquito control, livestock, rural fire, and any special improvement district (SID) charges.

ALLOWABLE RENT PAID
Computed by multiplying rent paid on the residence by a 15% rent equivalent.

VERIFICATION REQUIRED BY THE DEPARTMENT OF REVENUE

HOMEOWNER
A copy of the "paid" property tax receipt, property tax certification form or a letter from the County Treasurer showing total general taxes paid in 1996 must be attached to Form 2EC.

RESIDENCE
OVER 1 ACRE: Multiply taxable value of residence and land not exceeding 1 acre by the district mill levy.

RENTER
Residents of subsidized housing are allowed to claim the credit. Only the actual amount of rent paid can be claimed. Copies of canceled checks or a rent receipt from the landlord must be attached to Form 2EC

HOMEOWNER & RENTER
Attach rent and property taxes paid if you (1) own your home and rent the land or (2) rent your home and own the land.

See form in Appendix I (in the rear of the guide).

FOREST LAND TAXATION IN MONTANA

How Is Forest Land Valued?
Montana's forest land property tax system was in need of a major overhual. As a result, the Montana legislature passed the Forest Lands Tax Act in 1991. This law requires the Department of Revenue to value forest land based on land productivity.

The legislature defined the productivity formula and each component of that formula. It also provided for specific forest valuation zones, with each zone designated to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other factors important to the valuation of the forest land in that geographic area.

The potential productivity system was supported by the forest products industry, the Montana Tree Farmer's Association and other forestry landowners.

How Does the Productivity Classification System Work?
Forested land must be at least 15 contiguous acres or larger in size and in the same ownership to be classified as commercial forest land. Forested land less than 15 contiguous acres in size is classified as nonforest land.

Potential forest growth is estimated for each acre of forested land, including "clearcuts." That growth is measured in cubic feet per acre per year. The estimated potential forest growth is placed in one of four productivity classes.

Forested land which does not meet the minimum growth requirement is classified as noncommercial forest land. This minimum growth requirement is 25 cubic feet per acre per year at the peak biological age of a stand (the technical forestry term for peak biological age is "culmination of mean annual increment"). Noncommercial forest land is not valued as forest land for property tax purposes.

Nonforest and noncommercial forest land may be valued as tract land, agricultural land or "Nonqualifying" agricultural land.

Class IV	poor productivity	(25 to 44.9 cu.ft./ac.yr.)
Class III	fair productivity	(45 to 64.9 cu.ft./ac.yr.)
Class II	good productivity	(65 to 84.9 cu.ft./ac.yr.)
Class I	excellent productivity	(85+ cu.ft./ac.yr.)

Does the Forest Land Valuation System Tax Standing Timber?
No. Standing timber is exempt from property taxation. Only the land, not the standing timber, is eligible for property taxation. If a land owner deeds his timber to another party, the landowner, not the timber owner is responsible for the forest land property tax.

Does the Productivity Tax Pressure Landowners to Harvest Their Timber?
No. On any given commercial forest land site, a clear-cut would receive the same value as an old growth stand (standing timber is not taxed). Forest management practices will not influence the forest assessment. Knowledgeable forest landowners will realize that they can practice intensive forest management to optimize wood production and enhance other nontimber elements, without the penalty of higher forest land property taxes.

Isn't Agricultural Land Valued on the Basis of Productivity?
Yes. Agricultural and forest lands are often intertwined. Both types of land are valued under the "productivity" concept.

TY97 up due to
- higher land prices
- lower interest rates → lower capitalization rates

Explain the Productivity Formula to Me.
The formula can be described as:

$$\text{Appraised Value} = \frac{\text{Net Forest Income} + \text{Net Grazing Income}}{\text{Capitalization Rate}}$$

Net Forest Income = Gross Forest Income - Forest Costs
Net Grazing Income = Gross Grazing Income - Grazing Costs
Capitalization rate = This rate is used to convert a net income stream into an estimate of present value.

Who Compiles the Information Used in this Formula?
Many people are instrumental in compiling the valuation information. The Montana Department of Revenue hires a nationally recognized forest economist at the University of Montana, School of Forestry, to develop the forest land valuation zones and the average stumpage value in each valuation zone. The Department of Revenue compiles the forest costs and the capitalization rate.

Representatives from the forest products industry and Montana Tree Farmer's Association review the data and provide their input.

How Does the Valuation System Work?
The forest and agricultural land appraisal system use valuation schedules to apply a single value to each productivity grade. Agricultural land appraisal uses a single, statewide valuation schedule. Forest land appraisal uses five valuation schedules in the state. The forest land classification system contains four productivity grades. Therefore, there are 20 different per acre forest land values in the state.

Each value in a schedule represents a range of productivity, income, costs, and interest rates. Income and expense data represent averages for a base period of time. The forest land schedules which will be implemented in 1997, use data compiled from 1991-1995. Appraisal values will not change until the year 2000, when the next appraisal cycle is implemented.

Explain the Forest Land Tax Class Percentage to Me.
The legislature assigns all taxable property to individual tax classes. There are currently 11 property tax classes. Forest land is in Property Tax Class 10. The legislature specifies the tax class percentages that are applied against the value of the property within each tax class to calculate the taxable value.

A parcel of land may have several classes of property. The most common property classes for rural land are forest land, agricultural land, "nonqualifying" agricultural land, and a one acre homesite. Each property class has a different tax class percentage.

Agricultural Land	.0386
Forest Land	.0079
Nonqualifying Agricultural Land	.2702
1 Acre Home Site	.0386

The forest land taxable value is 79/100 of 1 percent of the appraised value (.0079). It requires $10,000 in forest land appraised value to produce $79 in taxable value. In contrast, $10,000 in agricultural appraised value will produce $386 in taxable value.

How Do I Calculate The Tax on My Forest Land?
The total appraised value for each type of property is multiplied by the tax class percentage for that property class. The result is the taxable value. The total taxable value is then multiplied by the mill levy to arrive at the property tax.

Example:

Assume that in 1997 you own a 130-acre parcel of land in Missoula County. This county is located in forest valuation zone two. The parcel has 30 acres of forest land and 100 acres of nonforest land . The forest land has 20 acres of fair productivity and 10 acres of poor productivity. The 100 acres of nonforest land doesn't meet agricultural eligibility requirements and is classified as nonqualified agricultural land. The 1997 fair forest land value (grade III) is $647.00 per acre. The poor forest land productivity (grade IV) is $ $393.16. The statewide 1997 nonqualified agricultural value is $39.84 per acre. For this tax calculation example, we assume the mill levy for 1997 is 390 mills.

1997 Forest Land Tax Calculation:

20 acres x $647.00/ac. = $12,940 (appraised value - forest land)
10 acres x $393.16/ac. = $3,932 (appraised value - forest land)
100 acres x $39.83/ac. = $3,983 (appraised value - non-qualified ag. land)

Total Forest Land Appraised Value = $16,872
Total Nonqualified Agricultural Appraised Value = $3,983

$16,872 x .0079 (tax class 10) = $133 (taxable value)
$3,983 x .2702 (tax class 3) = $1,076 (taxable value)

$133 + $1,076 = $1,209 (total taxable value)
$1,209 X .390 (mill levy) = $471.51 (tax)

Note: The decimal point in a mill levy is moved three places to the left to calculate the tax.

What's the Bottom Line? Are My Taxes Going up or down?
Significant increases in stumpage values and lower capitalization rates will result in higher taxable values on forest land. The average stumpage value increased by 75% in northwestern Montana and 197% in eastern Montana.

Forest land taxes in 1997 will depend on three factors -- the new forest land taxable values, the property tax treatment by the 1997 legislature and the mill levy amounts set in the fall of 1997.

What Is the Average Forest Land Tax in Montana?
The weighted average forest land tax in 1996 was $0.61 per acre. The 1997 forest land taxes will not be known until the fall of 1997. The weighted average taxable value in 1996 was $1.79 per acre. The weighted average taxable value in 1997 is $4.05 per acre.

When Will I Know What My New Forest Land Values Are?
When there is a change in valuation or ownership, the Property Assessment Division mails property assessment notices, to the owner of record, that reflect the value of the property as of January 1 of that year. All forest land owners will receive a new assessment in the spring of 1997 showing the change in appraised and taxable values that resulted from implementation of the new forest land valuation schedules.

Where Can I Go to See How My Forest Land Values Were Determined?
The forest land valuation schedules and a state map depicting the forest land valuation zones may be obtained from your local county appraisal/assessment office. The maps depicting the productivity classifications can be viewed in the appraisal/assessment office of the county where the property is located.

Can I Appeal My Forest Land Property Value?
Yes. Your property appeal rights and appeal dates are identified on your assessment notice. However, prior to filing an appeal, we would like the opportunity to answer any questions or concerns you might have with the value we have placed on your property. That's why we provide an informal review process. That process allows you to make a written request for valuation review. The form used to make that request is called an AB-26. It allows you the opportunity to explain why you believe the value on your assessment notice is incorrect. It also requires that local staff give you a written response after they have reviewed your concerns and recommendations.

If we can't resolve your concerns to your satisfaction through the informal appeal process, there are appeal boards available in your county to hear your concerns. Please do not wait until you receive a tax bill to voice your concerns. Your tax bill includes items, other than value, such as special improvement district assessments, rural district charges, and various fees. Again, if you have waited until after you have received your tax bill to express a concern about your forest land value, the deadline for appeal will have expired. For specific time frames, please refer to your assessment notice.

We're Pleased to Visit with You about Your Forest Land Property Assessment.
Everyone who is involved in the taxation process wants to help you understand how your property taxes are determined and what services your property tax dollar provides. For more information about your assessment, please contact your local county appraisal/assessment office.

HISTORY OF AGRICULTURAL LAND TAXATION IN MONTANA

As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agricultural lands. Previously, that was the duty of the county commissioners under Chapter 191, Laws of 1957. As with the previous law, the values determined by the Department were to be based on the productive capacity of the land, i.e., the ability of the land to produce income from a cash crop (wheat, hay, forage for grazing, etc.).

Standardized agricultural land valuation schedules were developed in the early 1960's. The values were based on a capitalization of net operating income (gross income less operating expenses). Data sources for income, expense and production information included the USDA Crop and Livestock Reporting Service, Montana Department of Agriculture Statistics, the ASCS, SCS, BIA, BLM and other government agencies.

The Department updated and revised the agricultural land valuation schedules for the reappraisal cycle which concluded on December 31, 1985. Again, the primary source of the data was the various government agencies. A concerted effort was made to include individual operations and agriculturally related associations to help refine the figures.

After developing the new valuation schedules, public comment was solicited through the administrative rules process. The new schedules would have increased the valuation of some types of agricultural land. Agriculturalists expressed their lack of support of the new valuation schedules. As a result, former Governor Ted Schwinden suspended the rules hearing process. He directed the Department to assemble an advisory committee to review the data and procedures and make changes if necessary.

The advisory committee had difficulty arriving at a consensus on the agricultural land valuation schedules. The 1985 Legislature froze the agricultural land valuation schedules that were in effect, specified the approach for developing future agricultural land valuation schedules and required the formation of an agricultural advisory committee.

In September, 1990 the Department of Revenue Agricultural Advisory Committee was appointed. The committee reviewed, evaluated and recommended changes to the taxation of agricultural land. It presented its recommendations at public meetings held throughout the state. The recommendations of that committee were presented in legislation that was passed by the 1993 Legislature as Senate Bill 168. It required specific methodology, formula, and data sources in the calculation of the new agricultural land valuation schedules. While the appraised value of agricultural land increased significantly, the statewide impact of the new schedules was taxable value neutral. There were shifts in value, however, within the various classes of agricultural land (i.e. grazing, non-irrigated farm land, continuously cropped hay land, non-irrigated continuously cropped farm land, and tillable irrigated land). The tax rate for agricultural land was reduced from 30% to 3.86%. That's the same rate used for residential and commercial property.

To mitigate the impact on agricultural taxpayers, the bill provided a phase-in of the change in taxable values over a four-year period. That affected both increases and decreases in value.

Finally, Senate Bill 168 established another interim agricultural land advisory committee to review water costs and other issues applicable to the valuation and assessment of agricultural land. That committee was appointed in November, 1993. It made recommendations to the Department of Revenue. Committee recommendations that were adopted by the 1995 legislature in Senate Bill 198 included:

- allowing a base water cost of $ 5.50 per irrigated acre
- establishing an energy cost base year for irrigated land
- limiting allowable water costs to a maximum of $35 per acre of irrigated land
- continuing the phase-in of the taxable value of irrigated land

In May of 1996 another agricultural land valuation advisory committee was appointed as required by law. The committee reaffirmed the specific methodology, formula and data source requirements in current law, updated those reqirements using current data, and recommended new agricultural land valuation schedules to the Department. Those schedules will be used for valuation and taxation purposes for the 1997 tax year. The new schedules will not be phased-in.

VALUATION OF AGRICULTURAL LAND

Statutory formula for determining productive capacity value:

V = Value of the Land
I = Net Income Produced by the Land
R = The Rate Used to Capitalize the Income Produced by the Land

The formula reads and is calculated as:

$$V = I/R$$

Example of Calculation:

Income Per Acre = $50
Capitalization Rate = 6.4%
Value = $781.25 Per Acre
V = $50 ÷ 6.4% = $781.25/Acre

As the Capitalization Rate is decreased, the resulting Value increases.

SUMMARY OF AGRICULTURAL LAND TAXATION

Approximately 51½ million privately owned acres are classified as agricultural land in Montana.

Agricultural land taxation consists of 2 parts:

1. Classification
The determination of the agricultural use and the productive capability of that use for each acre of taxable agricultural land.

2. Valuation
The determination of agricultural land valuation schedules. The application of those valuation schedules to each acre of taxable agricultural land.

The criteria for classifying property as agricultural are:

1. Parcels of land 160 acres or more under one ownership are taxed as agricultural land. These lands are taxed at 3.86% of their agricultural productive capacity value.

2. Parcels of land containing 20 acres or more but less than 160 acres under one ownership are taxed as agricultural land if the land is used primarily for raising and marketing agricultural products. The agricultural use test presumes that land is agricultural if $1500 in annual gross income is produced and marketed from the land by the owner, owner's immediate family, agent, employee or lessee. These parcels are taxed at 3.86% of their agricultural productive capacity value. Parcels of land containing 20 acres or more but less than 160 acres which do not qualify under these criteria are considered non-qualified agricultural land. These non-qualifying parcels are valued as average (Grade 3) grazing land. The taxable value is

then computed by multiplying that value by seven times the tax rate for agricultural land. Since the current rate for agricultural land is 3.86%, the tax rate for this property is 27.02%. There is no phase-in of the taxable value.

3. Parcels of land less than 20 acres under one ownership are taxed as agricultural land if they produce and the owner markets $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal vegetable matter for food or fiber.

4. Land is not valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes. The land may not be devoted to a residential, commercial or industrial purpose.

The formula for valuation of agricultural land is: $V = I/R$

Where:

V	-	is the value of each type of agricultural land,
I	-	is the net income of each type of agricultural land,
R	-	is the capitalization rate. That rate converts the net income estimate into an estimate of productive value.

AGRICULTURAL CLASSIFICATION OF LAND

Grazing Land
Those lands, either native range or domestic range, which are used to support agricultural livestock. Grazing land is graded on the basis of the soils capacity to produce palatable forage for livestock without causing injurious effect to the vegetative cover of the land. Carrying capacity is measured in Animal Unit Months per acre (AUM/AC) or acres per Animal Unit Month (AC/AUM). Grazing land which is irrigated a majority of the time and has a reliable source of water will be classified as irrigated land. Dryland alfalfa or grazing land which is not irrigated or hayed a majority of the time is classified as grazing.

Tillable Irrigated Land
All hayland and cropland that is irrigated a majority of the time (2 out of 3 years, 3 out of 5 years, etc.). All agricultural land, including grazing land, in a specified irrigation district where the land is designated as irrigable, with shares of water appurtenant to such land, shall be classified as irrigated, regardless of whether the water is actually applied or not applied to the land.

Land that has water for irrigation most years shall be classified as irrigated if the water is used. Those lands with water available most years but the water is not used, will be classified according to current use.

Land that is irrigated only during high water may be classified according to use, but it should carry a higher grade to reflect the occasional extra water and increased production.

Irrigated schedules are based on tons of alfalfa per acre. Alfalfa is the predominant crop grown on irrigated fields. Adjustments can be made for other cash crops using a conversion guide.

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options ar not limited exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Continuously Cropped Non-Irrigated Hayland

Lands on which the native vegetation, non-irrigated alfalfa or other domestic varieties are cut for hay yearly or a majority of the time over a period of years. Hayland which is irrigated less than a majority of the time or that does not have a reliable source of water is classified as continuously cropped non-irrigated hayland. It should carry a higher grade to reflect the occasional irrigation.

Non-Irrigated Farmland: Summer Fallow and Continuously Cropped

Typical dryland farming found in the majority of Montana. Strip farming or block farming are the most common forms of non-irrigated farmland.

Summer fallow: Typically, crops are produced every other year or every third year and the land is left idle in the off years.

Continuously cropped lands are found primarily in Northwestern Montana. Normally, crops are grown 3 out of 4 years and it must be an accepted practice for the area.

Grading is based on bushels of wheat per acre. Conversions are made for barley production.

Class 1, Maximum Rotation, Assessed Value per Acre By Water Cost Categories

		Water Class					
		2	3	4	5	6	7
	Tons of	$5 - $9.99	$10 - $14.99	$15 - $19.99	$20 - $24.99	$25 - $29.99	$30 +
Grade	Alfalfa/AC	($7.50 mdpt)	($12.50 mdpt)	($17.50 mdpt)	($22.50 mdpt)	($27.50 mdpt)	($32.50 mdpt)
1a	4.5 +	882.66	804.54	726.41	648.29	570.16	492.04
1b	4.0 - 4.4	776.30	698.17	620.05	541.92	463.80	385.67
2	3.5 - 3.9	669.93	591.80	513.68	435.55	357.43	309.29
3	3.0 - 3.4	563.56	485.44	407.31	329.19	278.74	278.74
4	2.5 - 2.9	457.20	379.07	300.95	248.19	248.19	248.19
5	2.0 - 2.4	350.83	272.70	202.37	202.37	202.37	202.37
6	1.5 - 1.9	244.46	171.83	171.83	171.83	171.83	171.83
7	1.0 - 1.4	138.09	126.01	126.01	126.01	126.01	126.01
8	> 1.0	95.46	95.46	95.46	95.46	95.46	95.46

Class 2, Medium Rotation, Assessed Value per Acre By Water Cost Categories

		Water Class					
		2	3	4	5	6	7
	Tons of	$5 - $9.99	$10 - $14.99	$15 - $19.99	$20 - $24.99	$25 - $29.99	$30 +
Grade	Alfalfa/AC	($7.50 mdpt)	($12.50 mdpt)	($17.50 mdpt)	($22.50 mdpt)	($27.50 mdpt)	($32.50 mdpt)
1a	4.5 +	794.40	724.09	653.77	583.46	513.15	442.84
1b	4.0 - 4.4	698.67	628.35	558.04	487.73	417.42	347.10
2	3.5 - 3.9	602.94	532.62	462.31	392.00	321.69	309.29
3	3.0 - 3.4	507.21	436.89	366.58	296.27	278.74	278.74
4	2.5 - 2.9	411.48	341.16	270.85	248.19	248.19	248.19
5	2.0 - 2.4	315.75	245.43	202.37	202.37	202.37	202.37
6	1.5 - 1.9	220.01	171.83	171.83	171.83	171.83	171.83
7	1.0 - 1.4	126.01	126.01	126.01	126.01	126.01	126.01
8	> 1.0	95.46	95.46	95.46	95.46	95.46	95.46

Class 2, Minimum Rotation, Assessed Value per Acre By Water Cost Categories

		Water Class					
		2	3	4	5	6	7
	Tons of	$5 - $9.99	$10 - $14.99	$15 - $19.99	$20 - $24.99	$25 - $29.99	$30 +
Grade	Alfalfa/AC	($7.50 mdpt)	($12.50 mdpt)	($17.50 mdpt)	($22.50 mdpt)	($27.50 mdpt)	($32.50 mdpt)
1a	4.5 +	794.40	724.09	653.77	583.46	513.15	442.84
1b	4.0 - 4.4	698.67	628.35	558.04	487.73	417.42	347.10
2	3.5 - 3.9	602.94	532.62	462.31	392.00	321.69	309.29
3	3.0 - 3.4	507.21	436.89	366.58	296.27	278.74	278.74
4	2.5 - 2.9	411.48	341.16	270.85	248.19	248.19	248.19
5	2.0 - 2.4	315.75	245.43	202.37	202.37	202.37	202.37
6	1.5 - 1.9	220.01	171.83	171.83	171.83	171.83	171.83
7	1.0 - 1.4	126.01	126.01	126.01	126.01	126.01	126.01
8	> 1.0	95.46	95.46	95.46	95.46	95.46	95.46

CLASSES, GRADES AND VALUES FOR MONTANA AGRICULTURAL LANDS AS APPROVED BY THE DEPARTMENT OF REVENUE

NON IRRIGATED FARMLAND SUMMER FALLOW BASIS (F)

Grade	Bu. Wheat Per Acre Summer Fallow	1997 Assessed Value/AC
f1a8	40 & over	$309.29
f1a7	38 - 39	$294.01
f1a6	36 - 37	$278.74
f1a5	34 - 35	$263.47
f1a4	32 - 33	$248.19
f1a3	30 - 31	$232.92
f1a2	28 - 29	$217.65
f1a1	26 - 27	$202.37
f1a	24 - 25	$187.10
f1b	22 - 23	$171.83
f2a	20 - 21	$156.55
f2b	18 - 19	$141.28
f2c	16 - 17	$126.01
f3a	14 - 15	$110.73
f3b	12 - 13	$95.46
f4a	10 - 11	$80.19
f4b	8 - 9	$64.91
f5	Under 8	$30.55

GRAZING LAND (G)

Grade	Acres/1000# Steer 10 Mo. Ac/AUM	1997 Assessed Value/AC
1A2	Under 3	$647.46
1A1	3 - 5	$323.73
1A+	5.1 - 5.9	$235.44
1A	6 - 10	$161.87
1B	11 - 18	$89.30
2A	19 - 21	$64.75
2B	22 - 27	$52.85
3	28 - 37	$39.84
4	38 - 55	$27.85
5	56 - 99	$16.71
6	100 & Over	$10.36

NON IRRIGATED CONTINUOUSLY CROPPED HAYLAND (WH)

Grade	Tons Of Hay Per Acre	1997 Assessed Value/AC
1	> 3.0	$638.20
2	2.5 - 2.9	$574.38
3	2.0 - 2.4	$468.02
4	1.5 - 1.9	$361.65
5	1.0 - 1.4	$255.28
6	.5 - .9	$148.91
7	< .5	$53.18

NON IRRIGATED FARMLAND, CONTINUOUSLY CROPPED BASIS (CC)

Grade	Bu. Wheat Per Acre Per Year	1997 Assessed Value/AC
1A4	44 & Over	$679.67
1A3	42 -43	$649.12
1A2	40 - 41	$618.57
1A1	38 - 39	$588.03
1A	36 - 38	$557.48
1	34 - 35	$526.93
2	32 - 33	$496.39
3	30 - 31	$465.84
4	28 - 29	$435.29
5	26 - 27	$404.75
6	24 - 25	$374.20
7	22 - 23	$343.65
8	20 - 21	$313.11
9	18 - 19	$282.56
10	16 - 17	$252.01
11	14 - 15	$221.46
12	12 - 13	$190.92
13	10 - 11	$160.37
14	Less than 10	$76.37

The Property Assessment Division of the Department of Revenue currently has three computer systems:

1. BEVS (Business Equipment Valuation System)
2. CAMAS (Computer Assisted Mass Appraisal System)
3. MODS (Montana Ownership Database System)

BEVS

The Business Equipment Valuation System (BEVS) is a computer assisted valuation system used by the Department to value and assess personal property business equipment and livestock subject to ad valorem taxation. BEVS generates market value for over 88,000 parcels of property containing equipment and livestock. These valuations are based on characteristic data identified in the system such as quantity, make, model, year acquired, acquired cost, etc. The value of each piece of equipment and/or livestock identified for a specific business owner is recapped by class code to produce a valuation roll-up, or master record, for that property.

Two years of personal property information (current/previous) are maintained on BEVS. The current year's information is stored in a "working file" where changes are made and reports gathered. The previous year's information is used for viewing only.

BEVS provides the department the ability to generate itemized reporting forms. New property owners only need to review the previously reported personal property and update the information for the current year. This has resulted in a substantial savings in time to property owners.

BEVS provides the ability to list and value business equipment and livestock reported to the Department by property owners more accurately and uniformly than ever before. Its reporting functions enable staff to produce statistical reports by specific property types which can be used to identify discrepancies in valuations between similar businesses.

Automation of business equipment and livestock valuation has greatly enhanced efficiency and allows assessment staff the opportunity to concentrate their efforts on other responsibilities such as on-site field inspections of farms and businesses to ensure a greater degree of accuracy and equity in the valuation and assessment of these properties.

CAMAS

The CAMAS (Computer Assisted Mass Appraisal System) is a set of computer programs and user procedures that help create and maintain a database of property information for each county in the state. The database holds the records of property characteristics that affect the tax evaluation of each parcel in the state. It uses these files to produce computer assisted cost and market valuations of the residential and agricultural properties, and cost and income valuations of the commercial and industrial properties.

The CAMA System provides the department with the ability to utilize all three approaches to value, COST, MARKET and INCOME.

Cost Approach

The CAMAS cost program provides appraisers with the ability to estimate the depreciated cost of reproducing or replacing a building and its site improvements. This is accomplished by determining the replacement cost new of a structure and deducting any loss in value do to physical deterioration, and functional or economic obsolescence.

The significance of the Cost Approach lies in the extent of its application. It is the one approach that can be used on all types of construction on each type of property. It is a starting point for appraisers in determining the value of a property. Its widest application is in the appraisal of properties where the lack of adequate market and

income data preclude a reasonable application of the other traditional approaches to value.

Market Approach
The CAMAS Market modeling program gives appraisers the ability to value property using the comparable sales approach to establish market value. When a sufficient number of sales are available, market models can be developed. The models are then applied, in conjunction with a comparable sales analysis, to provide an estimate of the market value of each property. In making this analysis, individual properties are valued using three to five comparable sales. The comparable sales are adjusted to the subject for differences such as square foot of living area, location, year built, date of sale, quality grade, etc. The adjustments for each comparable are then applied to their sale price. The result is an estimate of value for the subject property, based on the adjusted sales of the comparable properties.

Income Modeling
CAMAS income modeling gives the appraiser the ability to value income producing properties using the income approach to value. In applying the income approach to value, the appraiser must determine market rents, expenses and appropriate capitalization rates.

When income modeling the appraiser develops a basic set of income and expense models based on market data. Through use of a capitalization rate, income is capitalized into an estimate of value. The models created reflect current economic trends in specific valuation areas. The value indications produced by the income approach and the cost approach are compared. A final value for the property is then determined.

The primary objective of CAMAS is to assist the department in determining uniform, accurate, equitable and defensible valuations of all types of classes of real property statewide. CAMAS has enabled the department to produce accurate, detailed reports and statistical information pertaining to the valuation of over 697,000 residential, commercial, industrial, agricultural, and forest land properties statewide.

CAMAS has allowed the department to complete this reappraisal cycle with fewer employees than any previous cycle. In the last year of the department's 1978 reappraisal cycle, the Property Assessment Division employed 784 FTE. During the last year of the 1986 reappraisal cycle, the division employed 465 FTE. The division was authorized 418 FTE to complete the 1993 reappraisal cycle. The department has 353 authorized FTE to complete the current reappraisal which is scheduled to be completed by December 31, 1996.

MODS

The Montana Ownership Database System (MODS) provides the Department of Revenue staff the ability to maintain, real and personal property ownership and address information for over 758,000 parcels of real and personal property subject to ad valorem taxation. MODS contains owner(s) name, mailing address, legal descriptions, and market and taxable values,

Prior to the implementation of MODS, Property Assessment Division personnel entered ownership information into both CAMAS and BEVS. Now, all ownership information is maintained on the MOD system and transmitted electronically to CAMAS and BEVS.

Market and taxable values (of all classes of real and personal taxable property) generated by the state's CAMAS and BEVS systems are uploaded electronically to MODS and stored in summary form, by assessment code number. This function provides state and local government with a broad database of real and personal property ownership and valuation information, and allows for electronic preparation of all state and county recap reports and reporting forms from a central database.

The MOD System allows the Department to produce and mail assessment notices for every county, from a central location. We are able to utilize the Department of Administration's laser printer, fold/pressure seal machine, and bar-code spraying machine. These features, in conjunction with the MODS on-line Postal Service address

certification program, eliminate the need for staff to handle mailings. The Department achieved Postal Address Certification of over 91% of the MODS mailing addresses statewide in the first year. This allowed us to receive reduced postage rates. Local government can take advantage of the certified addresses from MODS to also reduce their mailing costs.

MODS provides the Department the ability to produce statewide statistical reports and analysis of valuation, assessment, and taxation information more quickly, efficiently and accurately than ever before.

Application For Property Tax Assistance Program

Form 2EC - Elderly Homeowner/Renter Credit

MONTANA DEPARTMENT OF REVENUE
APPLICATION FOR PROPERTY TAX ASSISTANCE PR0GRAM
As Provided By 15-6-134 and 15-6-151, MCA

______________________ **County**

This Form Must be Returned to your local Appraisal/Assessment Office Before March 15th or No Reduction Will Be Allowed.

- For Office Use Only -

Geocode: ______________

School District: ______________

____

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____

I affirm that (I) (We) own and occupy a home or mobile home with appurtenant land and that I am married ___, single ___, or head of household* ___; that I am a recipient of income (last year's) from all sources, including otherwise tax exempt income of all other types, of not more than $15,307 per year if single or $20,410 combined income per year if married or head of household, and that (I) (We) actually occupy the home or mobile home for at least 7 months a year. (** Qualifications for head of household follow federal guidelines).*

Signature ______________________ Social Security Number ______________
Name of Spouse ______________________ Social Security Number ______________
Phone Number ______________ Date ______________

Please list below TOTAL ANNUAL INCOME FROM ALL SOURCES including otherwise tax exempt income of all types for the calendar year preceding the year of application.

$__________ Employment Income

$__________ Net Business Income Before Depreciation and/or Depletion
(Copy of IRS Schedule C, E or F must be attached)

$__________ Net Rental Income Before Depreciation and/or Depletion
(Copy of IRS Schedule E must be attached)

$__________ Social Security (Gross from Federal Form 1099.)
Do not include Social Security paid directly to a nursing home or social security fpr dependent children.

$__________ Disability Income

$__________ Unemployment Benefits

Pension Income:

$__________ Railroad
$__________ Teachers
$__________ Employment
$__________ Veterans
$__________ Any Other

$__________ Aid to Dependent Children

$__________ Maintenance (Alimony)

$__________ Child Support

$__________ Interest Income
(From all sources such as banks & checking accounts)

$__________ Any Other Income
(Lottery, refunds, etc.)

FOR DEPARTMENT USE ONLY

☐ Approved ☐ Disapproved

Total Income $______________

This reduction applies to the first $100,000 or less of the market value of any mobile home or improvement on real property and appurtenant land not exceeding 5 acres.

Form PPB-8 (Rev 9/96)

Land: Code ______ Market Value __________
Imp: Code ______ Market Value __________
MH: Code ______ Market Value __________

- -

To be used for nonqualified land or improvements.

Land: Code ______ Market Value __________
Imp: Code ______ Market Value __________

CODES

INCOME			CLASS CODES		
Single	M/H	%	Land	Imp	MOB
0 - 6,123	0 - 8,164	20	2132	3137	6237
6,124 - 9,388	8,165 - 14,287	50	2135	3140	6240
9,389 - 15,307	14,288 - 20,410	70	2137	3142	6242

R

DO NOT USE THIS SPACE

1996 ELDERLY HOMEOWNER/RENTER CREDIT

MONTANA
2EC
Rev. 8/96

MCA 15-30-171 thru 15-30-179

File on or before April 15, 1997 or with your Form 2 or 2S

Instructions on back

RETURN WILL NOT BE PROCESSED WITHOUT PROPERTY TAX CERTIFICATION, PAID PROPERTY TAX OR RENT RECEIPT(S)
PLEASE ATTACH THESE TO THIS FORM

LAST NAME	Your First Name & Middle Initial	Your Social Security No.
Spouse's Last Name if Different	Spouse's First Name & Initial	Spouse's Social Security No.
MAILING ADDRESS	City State	Zip Code+4

PLEASE FOLLOW INSTRUCTIONS ON THE BACK WHEN COMPLETING THIS FORM **PART I** IF THE ANSWER TO ANY OF THE QUESTIONS BELOW IS NO, YOU'RE NOT ELIGIBLE FOR THE CREDIT. DO NOT COMPLETE THIS SCHEDULE.	YES	NO
Were you age 62 or older as of December 31, 1996?		
Did you reside in this state for 9 months or more during 1996?		
Did you occupy Montana residence(s) as an owner or renter a total of 6 months or more during 1996?		

Part II - List taxable and nontaxable income received from all members of the household.

1. Enter total income received from wages, fees, bonuses, all capital gains, ordinary income, dividends and interest *Do not include any losses* .... 1. ____
2. Enter total income for business, partnerships, rents, royalties, etc. *Do not include any losses* .... 2. ____
3. Enter any payments and interest on federal, state, county and municipal bonds .... 3. ____
4. Enter alimony, public assistance, unemployment, tax refunds, etc. .... 4. ____
5. Enter all pensions and annuities, including Railroad Retirement, PERS, Veteran's Disability, All social security income except social security paid directly to a nursing home .... 5. ____
6. Total income (add lines 1 thru 5) .... TOTAL 6. ____
7. Multiply the amount on ***Line 5*** times 50% (.5) and enter the result here .... 7. ____
8. Enter $4,000 or the amount on line 7, whichever is greater .... 8.(____)
9. Total household income. Subtract line 8 from line 6 (if less than zero enter zero) .... TOTAL 9. ____

PART III—<u>HOMEOWNER</u>—Complete line 10 (**Renters—**use line 11)

10. General property tax paid on residence and land in 1996 ***not to exceed 1 acre.*** ***do not include special assessments or fees*** (see instructions) .... 10.____

<u>RENTER</u>— ➡ Complete form on reverse side ⬅

11. Rent paid on residence in 1996 (attach signed rent receipts) .... 11.____
12. Rent equivalent—Multiply line 11 by 15% (.15) .... 12.____
13. Total of allowable property tax and/or allowable rents paid—Line 10 and/or line 12 .... 13.____

PERCENT OF HOUSEHOLD INCOME COMPUTATION

14. Total household income from line 9 .... 14.____
15. Enter multiplier figure from tax table on reverse side .... 15.____
16. Net allowable household income—Multiply line 14 by line 15 .... 16.____
17. Subtract line 16 from line 13. ***If this is zero or less, you cannot take the credit; do not file this form.*** .... 17.____
18. Enter the amount from line 17 or $1,000 whichever is smaller (the maximum refund is $1,000) .... 18.____

If you file a Montana State Tax Form 2, enter amount from line 18 on line 55.
If you file a Montana State Tax Form 2S, enter amount from line 18 on line 35.
If you are not required to file Form 2 or 2S, mail this form to:
Income Tax Division, Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

REFUNDS WILL BE ISSUED THROUGH THE INCOME TAX DIVISION

I declare under penalty of false swearing that the information in this return and attachment is true, correct and complete.

Your Signature	Date	Telephone Number	Spouses's Signature	Date

ATTACH THIS FORM TO YOUR RETURN

Elderly Homeowner or Renter Credit

Instructions (principal residence only)

The elderly homeowner or renter credit is for your use if you're 62 years old or older. A credit for a portion of your property taxes or rent paid may be used against your state income tax liability or as a direct refund even if you're not required to file a Montana state return.

Please read the instructions and complete the form to see if you qualify for the credit.

Additional help is available by calling 1-406-444-3674 or TDD 1-406-444-2830 for hearing impaired.

Part I
Answer all questions. If the answer to any question is No, you are not eligible for the credit.

Part II
Household income—include all income received by you and any members of your household. Only one claim is allowed per household.

Lines 1-6. Enter on lines 1 thru 5 your income from the various sources, and enter the total on line 6. (Do not include any Social Security paid directly to a nursing home on line 5). ***Do not include any losses. You must report gains, including gains on the sale of your home. All tax refunds must also be reported.***

Line 7. Multiply your total retirement income on line 5 times 50% (.5) and enter the result on line 7.

Line 8. Household Exclusion. Enter $4,000 or the amount on line 7, whichever is greater.

Line 9. Subtract the amount on line 8 from line 6 and enter balance. (If less than zero enter zero)

Trusts: Property taxes paid on a residence held in a *revocable trust* which are paid by an eligible claimant are allowable. The eligible claimant and their spouse must be the only trustees of the revocable trust.

Property taxes paid for property held in an *irrevocable or family trust* are not considered paid by the individual. These taxes cannot be claimed on this form. If the property taxes are paid by a qualifying individual, the taxes are treated as rent when calculating this credit.

Qualifying individuals who place their residence in a *life estate* and who pay the property tax may claim the taxes when calculating this credit.

Part III-HOMEOWNERS

Line 10. Include a copy of your paid property tax receipt, property tax certification form, or a letter from your County Treasurer showing total general property taxes paid in 1996.

Enter your taxes paid in 1996 on your residence and surrounding land (not in excess of 1 acre). Do not include special assessments, penalties or interest. Examples of special assessments are transit fees, city assessment, sprinkling, sanitation, maintenance fees, garbage, land fill, storm sewer, paving, lighting, irrigation, water system, sweeping, T.V. district, predator or mosquito control, livestock, rural fire, and any special improvement district (S.I.D.) charges.

To figure your tax on residences over 1 acre ask your county assessor for the taxable value of your residence and land not exceeding one acre. Multiply the taxable value, by the district mill levy and enter result on line 10.

Contact your County Treasurer for the correct tax figures if you have questions.

Skip lines 11 and 12 and enter your allowable tax from line 10 on line 13.

RENTERS. Complete box below. Signed rent receipts must be attached.

Renters of subsidized housing are eligible to apply.

When a taxpayer lives in a health care, long term care, personal care, or residential facility the rent allowed is the greater of $20 per day or the verified actual rent paid. If amenities (meals, housekeeping, personal care services, etc. are included in the monthly charges, a breakdown showing the allocation between rent and amenities must be attached. If an adequate breakdown between rent and amenities paid is not provided, the rent allowed will be limited to $20 a day.

Line 11—Enter the amount of rent you paid in 1996. Signed rent receipts must be attached.

Line 12—Multiply line 11 by 15% (.15). Enter the result here and on line 13.

HOMEOWNERS and RENTERS

If you own your home and rent the land or rent your home and own the land:

Enter your taxes paid on line 10. Enter your rent paid on line 11. Add lines 10 and 12 and enter total on line 13.

Line 14—Enter your household income from line 9.

Line 15—From the table below enter your multiplier based on your household income. (example: household income - $8,500, multiplier - .039.)

Line 16—Multiply line 14 by line 15 and enter the result.

Line 17—Subtract line 16 from line 13. (not less than zero.)

Line 18—Enter the amount from line 17 or $1,000, whichever is smaller. This is the amount of your credit.

If you file a Montana individual income tax return, enter this amount on line 55 Form 2, page 2 or Form 2S line 35. If you don't file, mail this form to Income Tax Division, Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

HOUSEHOLD INCOME REDUCTION TABLE

If your HOUSEHOLD INCOME on line 9 is: At least	But not more than	Your multiplier for line 15 is:
$ 0	$ 1,999	0
2,000	2,999	.006
3,000	3,999	.016
4,000	4,999	.024
5,000	5,999	.028
6,000	6,999	.032
7,000	7,999	.035
8,000	8,999	.039
9,000	9,999	.042
10,000	10,999	.045
11,000	11,999	.048
12,000 & over		.050

Signed Rent Receipts must be attached
This is not a substitute for rent receipts.

RENTER
COMPLETE LINES A THRU G

A. Name of landlord ____________________

B. Address of landlord ____________________

C. City ____________________

D. Is your landlord a relative?

☐ Yes: Relationship ____________________

☐ No

E. Telephone number of landlord ____________________

F. How many months did you rent in 1996? ____________________

G. Enter here and on line 11 the total amount of rent paid in 1996.

$ ________

If more than (1) landlord—please list on separate sheet.

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